

Social Networking: The Present

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***Editor's note:** This is the second of a three-part guest post by venture capitalist [Mark Suster](#) of GRP Partners on "Social Networking: The Past, Present, And Future." Read [Part I](#) first, this one, and then [Part III](#). Follow him on Twitter [@msuster](#). This series is an adaptation of a recent talk he gave at the Caltech / MIT Enterprise Forum on "the future of social networking." You can watch the [video here](#), or you can scroll quickly through the Powerpoint slides embedded at the bottom of the post or [here on DocStoc](#).*

Social Networking in Web 2.0: Plaxo & LinkedIn

In my [last post](#), I discussed the origins of social networking online, beginning with CompuServe, Prodigy, the Well, then the rise of AOL, Geocities and Yahoo Groups. Next began the era of "spam-based" networks of which Plaxo (founded in 2002) was the king. Co-founded by Sean Parker (yes, the same one who worked with Mark Zuckerberg in the early days of Facebook), it encouraged groups of people to email everybody in their email address books and "connect" on Plaxo so that when any of their contact information was changed online it could be synchronized with everybody's local computer version and thus we could all stay in touch.

There was a backlash against the Plaxo spamming yet it paved the way for everybody who came after them to get users to drive viral adoption and we'd throw up our arms and say, "oh boy, here goes another social network that my friends are going to spam me about" mentality that made it acceptable for everybody who came afterward.

And come after they did. While Plaxo never figured out what to do with us once we were all connected online, LinkedIn did. They formed us into networks of networkers. It was suddenly now not only about whom I was connected to, but who they knew and how I could get access to them. We suddenly all wanted intros. It added a new dimension to online social networks ... business networking. And they encouraged us to part with a lot more data about ourselves making LinkedIn our virtual resume.

And importantly Web 2.0 ushered in the era of "participation" – we all know that. But less considered is the fact that the success of the Web 2.0 companies versus the Web 1.0 ones were enhanced because they coincided with hardware that allowed us to capture more content instantly – namely images and video – otherwise Web 2.0 might have been a lot less differentiated. Suddenly we were all creating blogs on Blogger.com, Typepad & WordPress. We started uploading images of ourselves to our blogs.

But the masses didn't want to blog. They wanted to publish pictures of themselves & their friends, share them, communicate with others, stay connected, have common experiences, find people to date, etc. As I've said, it's the same shit as the 1980's – I swear.

Modern Social Networking: Friendster, MySpace & Facebook

We all know Friendster was the trailblazer in this category allowing people to create personal pages and connect to other people in a LinkedIn style but without the "business" and with a little more interactivity (let's face it, for the longest time most users "friended" people on LinkedIn but then never really did much else). But Friendster's computer systems couldn't keep up with the explosive growth (reportedly due to the complexity of the security model set up to control connections, privacy and authenticity of users) so MySpace was hot on the heels and swept up the market in a very rapid ascent. Friendster was [DOA](#).

And there it was – MySpace was growing at the exact time we all had cheap digital cameras, smartphones with cameras and new, cheap video cameras like the Flip that allowed us to create video.

Except that MySpace didn't handle images or video well. Luckily Photobucket & ImageShack did. So users put all their photos on Photobucket & their videos on YouTube and shared them with their friends through MySpace.

Fox bought MySpace for \$580 million and then did a deal with Google worth more than the purchase price to serve up ads. For a nanosecond Rupert Murdoch seemed like the smartest guy on the Internet. Google acquired YouTube for \$1.65 billion, which at the time seemed laughably high and now seems prescient. Google turned YouTube into one of the most valuable future Internet properties. MySpace would have liked to own YouTube but didn't have the public stock valuation to purchase them at the price that Google did.

MySpace later bought Photobucket for \$250 million + \$50 million earn out. It did not have the same success as Google's acquisition and MySpace sold Photobucket 2 years later to a relatively unknown Seattle-based startup called Ontela for a reportedly \$60 million.

Murdoch seethed at these "startups" getting rich off the back of MySpace. The conventional wisdom at Fox's headquarters is that MySpace had "made" both YouTube & Photobucket by allowing them distribution. MySpace vowed not to create anymore million dollar successes off of their backs that Google could then acquire.

So Fox ludicrously set up a quasi internal innovation center called Slingshot Labs. The goal was to create innovations outside of MySpace and then MySpace would acquire them at pre-agreed prices based on how well they performed. This was Politburo-style innovation and was laughable. I literally [snorted](#) when I heard that they were going to do this. It was obviously a scheme set up by young entrepreneurs to line their pockets and some big-company executives who didn't understand innovation.

Enter Facebook. It had grown stratospherically from 2004–2007 to 100 million users, which actually was slightly smaller in December 2007 than MySpace was. Facebook was everything that MySpace wasn't. It was: up-market, exclusive, urban, elite, aesthetically pleasing, ad-free and users were

verified. MySpace was: scantily dressed, teenaged, middle-America, design chaos and on ad steroids.

But the critical distinction in the direction of both companies was that while MySpace was putting up moats to keep outside companies from innovating and making money off their backs, Facebook took the opposite approach. It launched open API's and created a platform whereby third-party developers could come build any app they wanted and Facebook didn't even want (yet) to take any money from them to do so. So along come companies like Slide, RockYou & Zynga who wanted to build apps across all the social networks but were green-lighted the hardest by Mark Zuckerberg.

It was at that moment that a 22-year-old Mark Zuckerberg completely schooled the 75-year-old Rupert Murdoch. Within the next 12 months Facebook users doubled to 200 million while MySpace stayed flat at 100 million. The lesson was learned over 30 years in Silicon Valley: you create ecosystems where third-parties can innovate and thrive and you become the legitimate center of it all and can tax the system later. Ask Microsoft, Autodesk or Salesforce.com - the evidence was there from Seattle to Sand Hill Road.

Facebook went on become larger than even Google and Yahoo! in terms of time spent on the sites. Slingshot Labs was unsurprisingly closed within a short period of time and its properties sold-off or dismantled. Duh.

Social Networking goes Real Time: Twitter

While Facebook was built on the idea that all our information was private and shared only between friend (before they changed this after the fact), Twitter was born under the idea that most of the information shared there was open and viewable by anybody. This was revolutionary in thinking and worked because as a user you understood this bargain when you started. Twitter is not the place to share pictures of your kids with your family.

Another Twitter innovation was "asymmetry" because you didn't have to have a two-way following relationship to be connected. You could follow people who didn't necessarily follow you back. This allowed followers to be able to "curate" their newsfeed with people that they found interesting. Twitter restricts each post to 140 characters so users often share links with other people - one of the most important features of Twitter. So this combination of following people you found interesting who share links drove a sort of "news exchange" that mimicked many of the features of RSS readers except that it was curated by other people!

Twitter is much more. [I've written extensively on the topic](#), but in a nutshell it is: an RSS reader, a chat room, instant messaging, a marketing channel, a customer service department and increasingly a data mine.

But what is magic about Twitter is that it is real time. In most instances news is now breaking on Twitter and then being picked up by news organizations.

The one major thing that Twitter doesn't have figured out quite yet is that platform thing or at least how to encourage a bunch of 3rd-party developers to build meaningful add-on products. Twitter seems to have become a bit allergic to third-party developers (or maybe vice-versa). 18 months ago 25% of all pitches to me were ideas for how to build products around Twitter's API. Now I don't get any. Not one. Yet the number of businesses looking to build on the Facebook platform seems to have increased.

Given I'm a passionate user of Twitter, I sure hope somebody there will re-read the MySpace vs. Facebook section above. Lesson learned (to me at least) - let people get stinking rich off your platform and tax 'em later. That way other companies innovate on their own shekels (or at least a VCs) and let the best man win. Close shop to try and control monetization and you can only rely on your own internal innovation machine & capital. Seems kinda obvious or am I missing somethign? Rupert?

Social Networking is Becoming Mobile: Foursquare and Skout

The trend that is unfolding before our eyes is that Social Networking is now becoming mobile and that adds new dimensions to how we use social networks. The most obvious change is that now social networks become "location aware." The highest profile brand in this space is Foursquare. Pundits are mixed on whether Foursquare represents a major technology trend or a fad but undoubtedly it has captured the zeitgeist of the technology elite at this moment in time. At a minimum it has been a trailblazer of innovation that a generation of companies are trying to copy.

As our social actions become both public and location specific it opens up all types of future potential use cases. One obvious one is dating where players like Skout are trying to cash in on. When you think about it, young & single people go out to bars & clubs in hopes of meeting people to "hook up" with. In a perfect world you'd like that person to be compatible with you in addition to being attracted to them, yet as a society we go into bars and have no idea what it behind any of the people we see other than the immediacy of their looks and whether we can get enough liquid courage into ourselves to talk with them and learn more.

It's obvious to me that the future of dating will involve mobile, social networks that tell us more about the compatibility of the people around us. It doesn't take a rocket scientist to see how big people like Match.com and eHarmony became on the trend of helping us find our dating partners and why this would be improved my mobile, social networks. How long this trend takes is unclear - but in 10 years I feel confident we'll look back and say, "duh."

Foursquare obviously brings up a lot of interesting commercial opportunities. For years I saw companies pitching themselves as "mobile coupon companies" and I never believed this would be a big idea. I'm not a big believer that people walk around with their mobile devices and say, "let me now pull out my device and see wether there are any coupons around me." I always said that if an application could engage the user in some other way - like a game - it would earn the right to serve up coupons as a by-product. I think that is what Foursquare has done well.

In the future I don't believe that Foursquare's "check-in" game with badges will be enough to hold users interests but for now it's working well. I've always said that if Foursquare has a "second act" coming it could be a really big company. In the long-run I believe that check-ins will be more seamless - something handled by infrastructure in the background. So I expect more and new games from Foursquare in the future. One awesome features of today's Foursquare that often isn't talked about is the ability to graph your friends on a real-time map and see where everybody is. This is a killer feature for the 20 and 30 something crowds for sure. Me? When I go out I mostly prefer to eat in peace with my wife and friends without people knowing where we are - I guess we all get old ;-)

In the next post I will make some predictions about where social networking is going next. And only one hint -it isn't all dominated by Facebook.