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## Social Network Marketing: Ad Spending and Usage

**Executive Summary:** Social networking continues to grow. It is an activity that 37% of US adult Internet users and 70% of online teens engage in every month. By 2011, about half of all online adults and 84% of online teens in the United States will use social networks.

### Worldwide Online Social Network Advertising Spending, 2006-2011 (millions and % change)

<b>2006</b>	<b>\$480</b>
<b>2007</b>	<b>\$1,225 (155%)</b>
<b>2008</b>	<b>\$2,145 (75%)</b>
<b>2009</b>	<b>\$2,883 (34%)</b>
<b>2010</b>	<b>\$3,559 (23%)</b>
<b>2011</b>	<b>\$4,136 (16%)</b>

*Note: includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest and marketer-sponsored social networks; in all cases, figures include online advertising spending as well as site or profile-page development costs; figures exclude user-generated content sites with social networking features, eg YouTube*  
Source: eMarketer, December 2007

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Marketers continue to experiment with the medium, with \$920 million likely to be spent on advertising on social network sites in the US in 2007, rising to \$1.6 billion in 2008. Worldwide online social network ad spending is expected to grow by 75% to \$2.1 billion in 2008, from \$1.2 billion in 2007.

MySpace and Facebook still attract the most attention and money, winning more than 70% of all US social network ad spending in 2007. As social networking matures, the advertising methods are becoming more diversified, including not only profile pages but also search, targeted display ads and widgets.

When the two social network giants announced plans in November 2007 to deliver targeted advertising based on user profile and purchase information, they began to move social network marketing further toward fulfilling its commercial promise. The promise is that brand messages will spread virally among network members and therefore be more effective. However, as the recent backlash against Facebook's Beacon program has shown, the road is filled with potholes.

Peer recommendations continue to be the holy grail of advertising. Social networking sites are helping to deliver an effective platform for these recommendations.

### Key Questions

- How much will be spent on social network advertising in 2008 and beyond?
- What factors are driving increases in ad spending in the US and internationally?
- How are marketers using social networking?
- How large is the US audience for social networking?

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# The eMarketer View

## Key eMarketer Numbers — Social Network Advertising and Usage

<b>\$2.7 billion</b>	US social network advertising spending in 2011, up from \$350 million in 2006
<b>\$4.1 billion</b>	Worldwide social network advertising spending in 2011, up from \$480 million in 2006
<b>\$850 million</b>	US advertising spending on MySpace in 2008, up from \$510 million in 2007
<b>\$305 million</b>	US advertising spending on Facebook in 2008, up from \$145 million in 2007
<b>105 million</b>	US online social network users* in 2011, up from 60 million in 2006

*Note: includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest; and marketer-sponsored social networks. In all cases, figures include online advertising spending as well as site or profile-page development costs; figures exclude user-generated content sites with social networking features, eg YouTube; \*ages 3+; use at least once a month  
Source: eMarketer, December 2007*

There are four truths about the state of social networking.

### Social networking is not a fad.

In 2007, 37% of the US adult Internet population and 70% of online teens used online social networking at least once a month. By 2011, 49% of online adults and 84% of online teens will use online social networking each month.

There is little to suggest that this activity will go away. In fact, eMarketer projects that the total US social networking audience will grow by 46% over the next four years, from 72 million in 2007 to 105 million in 2011.

**“One of the things to say, very clearly, is that social networks as a phenomenon are very real. If you are of a certain age, you sort of dismiss this as college kids or teenagers. But it is very real.”**—Google CEO Eric Schmidt in *The New York Times*, October 2007

It is impossible to predict whether the two current leaders, MySpace and Facebook, will remain as popular by 2011 as they are in 2007. However, the key underpinnings of social networking—the idea of the “social graph” of connections among Internet users, the way people interact with one another and spread messages virally through social networks, and the kinds of self-expression that social network sites make possible—will remain an Internet staple.

**Social networking as a consumer activity is not the same as it was last year, and it will not be the same next year as it is today.**

Today, social networking is generally done at a single destination. Consumers visit a site, communicate with their friends, enjoy some media or applications and spend time updating their profiles.

But changes are afoot that will extend social networking activities beyond a single destination site and into many other areas of the consumer Internet experience.

Profiles will eventually become portable so that consumers need only create one profile and use it in many places on the Web. Small applications, or “widgets,” that today work with only one social networking destination site will be designed on an open platform and thereby extend their reach. Activities such as online shopping, searching and even sending e-mail are already being enhanced with social networking features, and this will continue to develop over the next few years.

Thus social networking will remain a key online activity regardless of the individual performances of MySpace or Facebook.

In October 2007, *The Economist* reported that the “future of social networking will not be one big social graph but instead myriad small communities on the Internet to replicate the millions that exist offline. No single company, therefore, can capture the social graph.”

**Social network marketing today is not the same as it was last year, and it will not be the same next year as it is today.**

Not so long ago, social network marketing meant creating profiles and collecting friends. But that philosophy is already considered quaint.

MySpace, which in the past charged marketers hundreds of thousands of dollars to create large-scale promotions and profile pages, is now trumpeting the value of its display ad targeting. Facebook, meanwhile, has abandoned the idea of charging marketers to create sponsored groups and is allowing any business, large or small, to create a branded page free. Facebook hopes that the businesses will then purchase targeted ads to drive users to their branded pages.

Social networking sites are pushing the envelope of online marketing in other ways as well.

MySpace’s new HyperTargeting platform allows marketers to target ads based on 1,000 different interests and hobbies that members describe in their profiles. Facebook’s new platform, unveiled in November 2007, is like word of mouth on steroids. Its goal is to use the connections between members to amplify marketing messages.

Already, MySpace has reported click-through rates as much as 300% higher with this form of targeting than without. With average click rates across the Web at 0.2%, according to Eyeblander, this sort of improvement is much needed.

In the near term, it will be impossible to overlook the privacy concerns that these forms of targeted advertising raises. The specter of Federal Trade Commission and European Union investigations is never a positive thing for advertising.

However, eMarketer still believes that the promise of social network marketing—the “one to one to many” spreading of messages from marketer to consumer to a consumer’s friends—will be fulfilled. There will certainly be tweaks and improvements to both platforms.

Just as other forms of targeting, such as behavioral targeting, have taken several years to develop, so too will this new form of “personal targeting.” Social networking sites have a precious commodity in their hands—namely, the thoughts, words, likes and dislikes of millions of consumers—and respect will be the watchword for any form of marketing to them.

### **Despite concerns, social network ad spending will continue to grow.**

eMarketer projects that marketers will spend \$920 million on social network advertising in the US in 2007 and \$2.7 billion in 2011. Worldwide social network advertising will rise from \$1.2 billion in 2007 to \$4.1 billion in 2011.

In the coming years, that advertising will appear not only on social networking destination sites but also within other Internet activities, such as online shopping, e-mail or search, that will take on social networking attributes.

Though targeting is receiving the bulk of attention now, many other forms of advertising exist on social networks. Search advertising accounts for one-third of revenue at Fox Interactive Media, according to News Corp. in its November 2007 earnings conference call. Both MySpace and Facebook continue to sell reams of untargeted banner inventory. And emerging concepts such as mobile social networking and widgets will also drive revenue.

The upshot is that social networking will remain an integral part of consumers’ lives in 2008 and beyond, and the marketing opportunities will continue to grow and change.

## **Social Network Ad Spending**

eMarketer projects that marketers will spend \$2.1 billion to advertise on online social networks worldwide in 2008, up 75% from \$1.2 billion in 2007. In the US, spending will rise 69% to \$1.6 billion in 2008, from \$920 million in 2007.

### **Social Network Ad Spending Definitions**

***As the social network market develops, the definition of social network advertising will change as well. Following are the things eMarketer includes—and does not include—in its estimates.***

***Included: Media expenditures (banner ads, search ads, video ads, etc.) as well as fees paid to a social network site to develop a profile page or promotion (development fees paid to an agency or production shop are not included). Likewise, widget development or widget advertising expenditures are included only if the fees are paid directly to a social network site.***

***Search advertising revenue is also included.***

***For marketer-sponsored social network sites, the spending projections include both site development costs and online advertising expenditures to drive traffic to the site.***

***Not included: YouTube is not included in these projections. Although the site has social networking features, its primary business is online video viewing and sharing. The projections also do not include virtual worlds such as Second Life, Club Penguin or Webkinz. Revenue from the sale of goods or services (virtual or real) is also not included.***

The US market continues to develop, and marketers remain extremely interested in social network marketing. New niche social network sites pop up regularly, and marketers continue to fund their own branded social networks. Meanwhile, sales activity at MySpace and Facebook continues to tick upward.

At Facebook, for example, the number of ad campaigns is doubling quarter over quarter, while the average spend for each campaign is increasing 25% to 35%, according to Mike Murphy, vice president of media sales at Facebook, in an interview with eMarketer.

As of early November 2007, more than 50 major marketers had launched campaigns using MySpace’s new HyperTargeting platform.

Internationally, social network ad spending trails the US growth pattern by one to two years. MySpace’s international expansion got fully under way in 2007, and Facebook is still ramping up its strategy after entering a few select countries.

eMarketer projects that 2007 social network ad spending outside the US will be \$305 million, rising to \$585 million in 2008.

The pace of growth in non-US markets will quicken over the next few years, and spending is expected to reach \$1.4 billion in 2011.

Following are some of the spending drivers for 2008.

**New Targeted Ad Formats:** MySpace and Facebook are starting to roll out advertising strategies that take better advantage of the connections between social network users and the information they share about themselves. These developments finally start to move the business toward the promise of social network marketing, that is, to harness the relationships between consumers and to allow messages to spread virally. However, given the current user backlash against some features of Facebook's system and the possibility of government involvement, the effect of these developments will not be known until at least 2008.

**Increased Audience for Facebook:** The number of members grew from 12 million in December 2006 to more than 50 million in November 2007, and marketer interest has kept pace.

**Widgets:** Though thousands of widgets—small Web applications that can be added to a profile—have been developed and many have been highly successful, at least judging by the number of installations, advertising models are still nascent and will begin to develop in 2008.

### New Ad Opportunities for Small and Local Businesses:

Both of the majors have introduced self-serve ad systems allowing companies large and small to create and manage their own display ad campaigns. This will open up new revenue streams from small businesses, bands, local restaurants and retailers that can now create targeted display ads aimed at users of the two social networks.

**Video and Mobile:** The quantity of professionally created video programming, such as "Quarterlife" on MySpace and Bebo's Open Media program featuring content from CBS, BBC, MTV and others, continues to rise, creating opportunities for marketers who remain leery of user-generated content. Mobile social networking, now in a nascent stage in the US and somewhat more developed in international markets, is also poised to grow with the rise of more sophisticated location-based services.

**New Forms of Social Networking:** Though Google and Yahoo! have not gained much traction with their standalone social networks, Orkut and Yahoo! 360, both are developing ways for users to add social networking features to their Google Mail or Yahoo! Mail services. Startup Xobny's plug-in can mine a user's inbox, figure out who the user's closest friends are and organize his or her mail accordingly.

MySpace and Facebook are taking divergent paths toward generating revenue. MySpace's current strategy is to focus on the media value of its site.

"The idea when social networks crashed the media party several years ago was customization, customization," said Michael Barrett, chief revenue officer at Fox Interactive Media, in an interview with eMarketer. "It's still a big part of our sell, but what happened in that process was a dilution of the value of media in social networks."

Selling marketers on the value of targeting their advertising based on members' interests will take time, something Barrett acknowledged. Contextual targeting, as when an auto ad is placed in an auto content section, still rules the roost.

Trying to change the face of online advertising, Facebook's strategy is much riskier but may have a greater payoff. Instead of ad messages being pushed from marketers to consumers, consumers become part of the message. Facebook is betting that consumers will appreciate marketing messages more if they are somehow "attached" to their friends.

Though many major marketers have agreed to pilot-test Facebook's new offerings, they risk alienating consumers if the marketing messages are perceived as invading their privacy.

The following sections provide additional data and analysis of social network ad spending in the US and internationally.

## Worldwide Spending

Worldwide spending on social network advertising is expected to reach \$1.2 billion in 2007, up 155% from 2006. Spending will continue to rise robustly in 2008, up 75% to \$2.1 billion.

### Worldwide Online Social Network Advertising Spending, 2006-2011 (millions and % change)

2006	\$480
2007	\$1,225 (155%)
2008	\$2,145 (75%)
2009	\$2,883 (34%)
2010	\$3,559 (23%)
2011	\$4,136 (16%)

*Note: includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest and marketer-sponsored social networks; in all cases, figures include online advertising spending as well as site or profile-page development costs; figures exclude user-generated content sites with social networking features, eg YouTube*  
Source: eMarketer, December 2007

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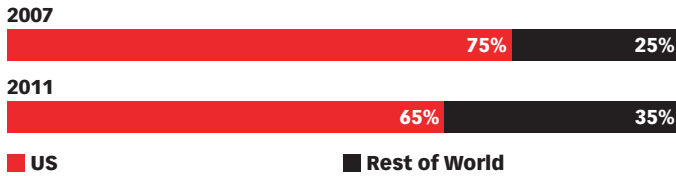
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## Social Network Ad Spending

In 2007, US spending will account for 75% of total worldwide spending. As non-US markets mature, the US percentage of the total will drop to 65% by 2011.

### US vs. Rest of World Online Social Network Advertising Spending, 2007 & 2011 (% of total)



*Note: includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest and marketer-sponsored social networks; in all cases, figures include online advertising spending as well as site or profile-page development costs; figures exclude user-generated content sites with social networking features, eg YouTube*  
Source: eMarketer, December 2007

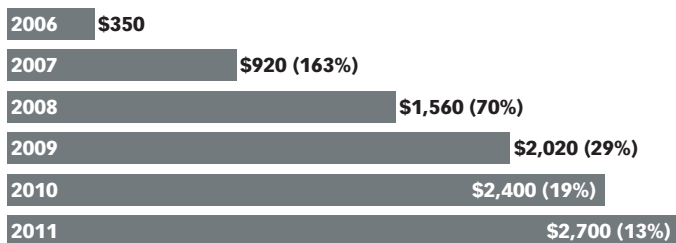
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### US Spending

eMarketer projects that marketers will have spent \$920 million on social network advertising in the US in 2007, up slightly from its previous forecast of \$900 million. US spending will rise to \$2.7 billion in 2011, up from eMarketer's previous projection of \$2.5 billion.

### US Online Social Network Advertising Spending, 2006-2011 (millions and % change)



*Note: includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest and marketer-sponsored social networks; in all cases, figures include online advertising spending as well as site or profile-page development costs; figures exclude user-generated content sites with social networking features, eg YouTube*  
Source: eMarketer, December 2007

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MySpace remains the largest player, with an estimated \$510 million in US spending in 2007 and \$850 million in 2008. Facebook should generate \$305 million in the US in 2008, up from \$145 million in 2007.

Spending on other general social networking sites, such as those from Bebo, MSN, Yahoo! and Google, is expected to rise to \$255 million in the US in 2008, from \$190 million in 2007. Lastly, spending on niche sites and marketer-sponsored sites should reach \$150 million in the US in 2007, from \$75 million in 2007.

### US Online Social Network Advertising Spending, by Type of Network, 2007 & 2008 (millions)

	2007	2008
MySpace	\$510	\$850
Facebook	\$145	\$305
Niche social networks and marketer-sponsored social networks	\$75	\$150
Other general social network sites and portal-based social networks	\$190	\$255
<b>Total</b>	<b>\$920</b>	<b>\$1,560</b>

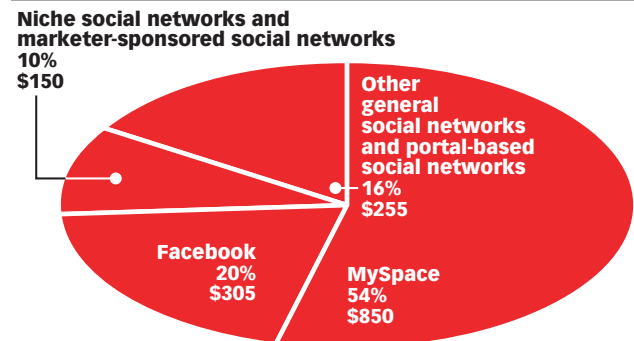
*Note: includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest; and marketer-sponsored social networks. In all cases, figures include online advertising spending as well as site or profile-page development costs; figures exclude user-generated content sites with social networking features, eg YouTube*  
Source: eMarketer, December 2007

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MySpace and Facebook continue to dominate, accounting for 71% of total US social network ad spending in 2007 and 74% in 2008.

### Share of Online Social Network Advertising Spending, by Type of Site, 2008 (% of total and millions)



*Note: includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest and marketer-sponsored social networks; in all cases, figures include online advertising spending as well as site or profile-page development costs; figures exclude user-generated content sites with social networking features, eg YouTube*  
Source: eMarketer, December 2007

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## Measuring MySpace Revenue Growth

**News Corp. has revealed more details about the financial performance of Fox Interactive Media, the parent unit of MySpace.**

**In the first three quarters of 2007, FIM generated \$506 million in revenue, according to News Corp. financial documents and statements made by company executives in quarterly earnings calls.**

**MySpace accounts for about 80% of FIM revenue, News Corp. executives said, which translates into about \$405 million in total revenue for MySpace through the first three quarters of 2007. The majority of this revenue came from advertising.**

**eMarketer estimates that about 80% of MySpace revenue comes from the US, resulting in \$324 million in US revenue through the first three quarters of 2007 and \$81 million in non-US revenue.**

**In an August 2007 earnings call, News Corp. chairman/CEO Rupert Murdoch predicted that MySpace would generate \$800 million in News Corp.'s 2008 fiscal year, which ends June 30, 2008.**

Though the numbers are sizeable and the growth significant, some perspective is necessary. Social networking still represents a fraction—4.3% in 2007—of total US online ad spending. Even in 2011, when spending is projected to be \$2.7 billion, it will make up just 6.4% of all US online ad spending.

### US Online Social Network Advertising Spending, 2006-2011 (millions and % of total US online ad spending)

	2006	2007	2008	2009	2010	2011
Social network ad spending	\$350	\$920	\$1,560	\$2,020	\$2,400	\$2,700
Total online ad spending	\$16,900	\$21,400	\$27,500	\$32,500	\$37,500	\$42,000
Social network % of total	2.1%	4.3%	5.7%	6.2%	6.4%	6.4%

*Note: includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest and marketer-sponsored social networks; in all cases, figures include online advertising spending as well as site or profile-page development costs; figures exclude user-generated content sites with social networking features, eg YouTube*  
*Source: eMarketer, October & December 2007*

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Although social networking has gotten enormous attention from business journalists and tech bloggers, eMarketer's 2007 US social network ad spending estimate of \$920 million remains roughly the same as it was when the firm issued its previous forecast in May 2007.

The reason is not that the market is flattening or stagnating. Instead, eMarketer's previous 2007 forecast already included several assumptions that are now coming to fruition, such as the strong performance of search advertising on MySpace and the increased attractiveness of Facebook as a marketing platform.

As a result, the new 2007 projection is not dramatically higher than it was before. But eMarketer's forecast for 2008 and beyond has been increased to account for the additional developments highlighted earlier that signal a strengthening market.

## Comparative Estimates

New estimates from other researchers are falling into line with eMarketer's. One, from International Data Corp., estimated that US social networking revenues from advertising, subscriptions and e-commerce were \$400 million in 2006 and \$1 billion in 2007. Considering that advertising is by far the leading source of revenue for most social network sites, these figures are close to eMarketer's.

### US Social Networking Revenues, 2006 & 2007 (millions)

2006	\$400
2007	\$1,000

*Note: includes advertising, subscriptions and e-commerce*  
*Source: International Data Corporation (IDC), "Social Networking Services in the US - Popular, Yes, But How to Monetize Them?" as cited in press release, August 28, 2007*

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Forrester Research projects that ad spending in emerging media (which includes social media, mobile, game marketing and other forms) will rise to \$10.6 billion in 2012, from \$1 billion in 2007.

### US Emerging Media Marketing Spending, 2007 & 2012 (billions and % of total online marketing spending\*)

2007	\$1.0
2012	\$10.6 (17%)

*Note: includes social media, mobile, game marketing, widgets, podcasts and RSS; \*total online marketing spending includes online video advertising, emerging channels, e-mail marketing, online display advertising and search engine marketing*  
*Source: Forrester Research, "US Interactive Marketing Forecast, 2007 To 2012" as cited by Adweek, October 11, 2007*

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Social media, which includes social networking and other content types, will reach \$6.9 billion in spending in 2012, or 65% of emerging media spending, Forrester projects.

Veronis Suhler Stevenson, in its "Communications Industry Forecast 2007-2011," pegs US social network ad spending at \$807 million in 2007, less than eMarketer's figure. However, Veronis' estimates of \$350 million in 2006 and its projection of \$2.7 billion for 2011 are identical to eMarketer's.

### US Online Advertising Spending, by Category, 2006, 2007 & 2011 (millions and CAGR\*)

	2006	2007	2011	CAGR 2006-2011
National	\$16,879	\$21,119	\$38,897	18.2%
Local	\$6,384	\$8,376	\$19,200	24.6%
Social network	\$350	\$807	\$2,745	51.0%
Blog, podcast and RSS	\$78	\$196	\$1,138	70.9%
<b>Total</b>	<b>\$23,691</b>	<b>\$30,498</b>	<b>\$61,980</b>	<b>21.2%</b>

Note: \*compound annual growth rate

Source: Veronis Suhler Stevenson, "Communications Industry Forecast 2007-2011" with PQ Media, Borrell Associates, eMarketer, Interactive Advertising Bureau (IAB) and Simba Information as cited by MediaPost, August 7, 2007

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Spending on social network advertising will grow at a compound annual rate of 51% between 2006 and 2011, Veronis projects. That is double the rate of growth in local online ad spending and nearly triple the growth rate of national online spending.

Finally, MAGNA Global projected that US social network ad spending would reach \$685 million in 2007 and rise to \$1 billion in 2008. Though lower than eMarketer's forecast, it is worth noting that MAGNA's projections for online video and rich media ad spending and mobile advertising are also lower than eMarketer's.

### US Emerging Media Advertising Spending, by Media, 2006-2008 (millions)

	2006	2007	2008
Paid search*	\$6,799.1	\$8,770.9	\$11,095.1
Emerging out-of-home**	\$1,090.5	\$1,371.8	\$1,711.0
Social networking	\$276.0	\$685.0	\$1,020.0
Online video and rich media	\$235.0	\$365.5	\$560.0
Advanced TV***	\$107.0	\$140.0	\$178.0
Mobile advertising	\$55.0	\$105.0	\$194.0
Gaming	\$187.2	\$216.9	\$238.6
<b>Total emerging media</b>	<b>\$8,749.8</b>	<b>\$11,655.1</b>	<b>\$14,996.7</b>
<b>Total emerging media (minus search via social networking)</b>	<b>\$8,749.8</b>	<b>\$11,520.4</b>	<b>\$14,747.0</b>

Note: \*sources include Interactive Advertising Bureau (IAB) and PricewaterhouseCoopers (PwC); \*\*include cinema, digital billboards and retail networks; \*\*\*includes VOD, RFIs and iTV  
Source: MAGNA Global, "Emerging Media Forecast," June 26, 2007

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### Comparative Estimates: US Online Social Network Advertising Spending, 2006-2011 (millions)

	2006	2007	2008	2009	2010	2011
<b>eMarketer*, December 2007</b>	<b>\$350</b>	<b>\$920</b>	<b>\$1,560</b>	<b>\$2,020</b>	<b>\$2,400</b>	<b>\$2,700</b>
International Data Corporation**, August 2007	\$400	\$1,000	-	-	-	-
MAGNA Global, June 2007	\$276	\$685	\$1,020	-	-	-
Veronis Suhler Stevenson, August 2007	\$350	\$807	-	-	-	\$2,745

Note: \*includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest and marketer-sponsored social networks; in all cases, figures include online advertising spending as well as site or profile-page development costs; figures exclude user-generated content sites with social networking features, eg YouTube; \*\*includes advertising, subscriptions and e-commerce

Source: eMarketer, December 2007; International Data Corporation (IDC), "Social Networking Services in the US - Popular, Yes, But How to Monetize Them?" as cited in press release, August 28, 2007; MAGNA Global, "Emerging Media Forecast," June 26, 2007; Veronis Suhler Stevenson "Communications Industry Forecast 2007-2011," August 7, 2007

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### Spending by Region

Social networking has developed substantially in markets outside the US, and, as a result, eMarketer has developed its first regional social network ad spending projections.

MySpace is now in 20 countries with at least 10 more on the way, News Corp.'s Rupert Murdoch said during the company's November 2007 earnings call.

Facebook's international strategy has been more organic, with Canada and the United Kingdom as its strongest user bases outside of the US. It opened an office in the UK and is reportedly working on versions of the site in languages other than English.

In addition, country-specific social networks, such as Mixi in Japan, Skyblog in France and Xiaonei in China, are also adding users.

To develop its regional social network ad-spending forecast, eMarketer began with total online ad spending projections for 2006 through 2011 from PricewaterhouseCoopers (for Europe, Asia Pacific, the Middle East/Africa and Latin America) as well as eMarketer's own forecast (for Canada). With that data, eMarketer estimated what percentage of each region's total online ad spending would go toward social network advertising, taking into account the relative growth of the online ad market in each region.

Regions outside the US are, on average, one to two years behind the US in the development of a social network marketing infrastructure. However, there are pockets of stronger performance, such as in the UK and Korea.

## Social Network Ad Spending

US marketers invested \$920 million in social network advertising in 2007, followed by \$170 million in Europe and \$100 million in the Asia-Pacific region. Canada spending is estimated at \$25 million, followed by Latin America at \$5 million.

### Worldwide Online Social Network Advertising Spending, by Region, 2006-2011 (millions)

	2006	2007	2008	2009	2010	2011
US	\$350	\$920	\$1,560	\$2,020	\$2,400	\$2,700
Western Europe	\$70	\$170	\$330	\$500	\$685	\$860
Asia-Pacific	\$43	\$100	\$185	\$260	\$345	\$415
Canada	\$11	\$25	\$50	\$70	\$90	\$110
Rest of World*	\$5	\$11	\$20	\$28	\$39	\$50
<b>Worldwide</b>	<b>\$480</b>	<b>\$1,225</b>	<b>\$2,145</b>	<b>\$2,883</b>	<b>\$3,559</b>	<b>\$4,136</b>

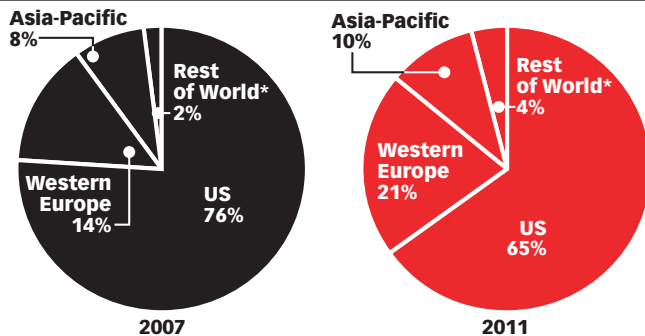
Note: includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest and marketer-sponsored social networks; in all cases, figures include online advertising spending as well as site or profile-page development costs; figures exclude user-generated content sites with social networking features, eg YouTube; \*includes Central and Eastern Europe, Latin America and Middle East/Africa  
Source: eMarketer, December 2007

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In 2007, the US accounted for 75% of total worldwide spending. Its share will diminish to 65% by 2011, mainly because of increased activity in Europe.

### Worldwide Online Social Network Advertising Spending, by Region, 2007 & 2011 (% of total)



Note: includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest and marketer-sponsored social networks; in all cases, figures include online advertising spending as well as site or profile-page development costs; figures exclude user-generated content sites with social networking features, eg YouTube; \*includes Central and Eastern Europe, Latin America and Middle East/Africa  
Source: eMarketer, December 2007

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2008 will see growth of 141% in Western Europe, to \$390 million in spending. By 2011, marketers will spend \$860 million on social network advertising.

### Online Social Network Advertising Spending in Western Europe, 2006-2011 (millions and % change)

2006	\$70
2007	\$170 (141%)
2008	\$330 (95%)
2009	\$500 (51%)
2010	\$685 (37%)
2011	\$860 (26%)

Note: includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest and marketer-sponsored social networks; in all cases, figures include online advertising spending as well as site or profile-page development costs; figures exclude user-generated content sites with social networking features, eg YouTube  
Source: eMarketer, December 2007

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In the Asia-Pacific region, spending is expected to grow from \$100 million in 2007 to \$415 million in 2011.

### Online Social Network Advertising Spending in the Asia-Pacific Region, 2006-2011 (millions and % change)

2006	\$43
2007	\$100 (129%)
2008	\$185 (86%)
2009	\$260 (43%)
2010	\$345 (30%)
2011	\$415 (20%)

Note: includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest and marketer-sponsored social networks; in all cases, figures include online advertising spending as well as site or profile-page development costs; figures exclude user-generated content sites with social networking features, eg YouTube  
Source: eMarketer, December 2007

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Canadian spending, meanwhile, will grow to \$110 million from \$25 million in 2007.

Online Social Network Advertising Spending in Canada, 2006-2011 (millions and % change)

2006	\$11
2007	\$25 (128%)
2008	\$50 (104%)
2009	\$70 (41%)
2010	\$90 (28%)
2011	\$110 (22%)

Note: includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest and marketer-sponsored social networks; in all cases, figures include online advertising spending as well as site or profile-page development costs; figures exclude user-generated content sites with social networking features, eg YouTube  
Source: eMarketer, December 2007

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Marketer Usage and Attitudes

Recent surveys indicate that 16% to 25% of US marketers use social network marketing. Among the most digitally advanced companies, however, a much larger percentage have been experimenting with the medium.

Comparative Estimates: US Marketers Using Social Network Marketing, 2006 & 2007 (% of respondents)

Interactive Advertising Bureau, Association of National Advertisers, American Association of Advertising Agencies, Booz Allen Hamilton, October 2007 (1)



Prospero Technologies, September 2007 (2)



Interactive Advertising Bureau, Association of National Advertisers, American Association of Advertising Agencies, Booz Allen Hamilton, October 2007 (3)



Coremetrics, October 2007 (4)



Forrester Research, March 2007 (5)



Penton Media Custom Research, May 2007 (6)



Manning Selvage & Lee, June 2007 (7)



Note: (1) among marketers considered leaders in using next-generation marketing tactics and analytical tools; (2) n=51 who use social media marketing applications; (3) among marketers that are less likely to use next-generation marketing tactics and analytical tools; (4) plan to implement; (5) are using; (6) conducted promotions; (7) have used  
Source: Coremetrics, "2nd Annual 'Face of the New Marketer,'" provided to eMarketer, October 30, 2007; Forrester Research as cited by Adweek, March 28, 2007; Interactive Advertising Bureau (IAB), Association of National Advertisers (ANA), American Association of Advertising Agencies and Booz Allen Hamilton, "Marketing & Media Ecosystem 2010" conducted by Guideline Inc., October 12, 2007; Manning Selvage & Lee, "Fifth Annual PRWeek/Manning Selvage & Lee (MS&L) Marketing Management Survey" conducted by PRWeek and Millward Brown, provided to eMarketer, June 21, 2007; Penton Media Custom Research "2007 Interactive Marketer Trends Study" commissioned by PROMO Magazine, May 2, 2007; Prospero Technologies LLC, "2007 Social Media Survey," provided to eMarketer, October 16, 2007

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Use of social network marketing closely follows the use of other types of user-generated content, according to a survey in the third quarter of 2007 by Coremetrics that assessed the social media marketing plans of 116 marketing professionals.

### Social Media Marketing Tactics that US Marketing Professionals Plan to Implement, by Timeframe, Q3 2007 (% of respondents)

	3 months	6 months	12 months	Unspecified	Total
User-generated reviews	6.0%	8.6%	9.5%	3.4%	27.6%
Blogs	4.3%	7.8%	9.5%	3.4%	25.0%
User-generated content	6.0%	6.0%	6.9%	3.4%	22.4%
Social networks	3.4%	6.0%	8.6%	2.6%	20.7%
RSS feeds	3.4%	3.4%	11.2%	1.7%	19.8%
Podcasts	0.9%	1.7%	12.1%	0.9%	15.5%
Online video advertising	2.6%	3.4%	4.3%	4.3%	14.7%
Flash/Ajax	5.2%	3.4%	2.6%	1.7%	12.9%
Wikis	2.6%	0.9%	3.4%	1.7%	8.6%
Virtual worlds	0.0%	0.0%	6.9%	1.7%	8.6%
None of the above	-	-	-	-	16.4%

Note: n=116; numbers do not add up to totals due to rounding  
Source: Coremetrics, "2nd Annual 'Face of the New Marketer,'" provided to eMarketer; eMarketer calculations, October 30, 2007

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Marketers recognize the power of consumers but have been slow to use social networking to engage them, according to a 2007 report from public relations agency Manning Selvage & Lee. The marketers surveyed were more likely to have used Web sites or sought specific consumer feedback as a means of engaging consumers than they were to have used social networking.

"Marketers who think that using a Web site or asking for consumer feedback on a Web site represents cutting-edge new media tactics are missing tremendous opportunities to build their brands," said Mark Hess, global CEO of Manning Selvage & Lee.

### New Media/Consumer-Generated Media Tactics Used by US Marketers, April-May 2007 (% of respondents)

#### Web site production

71.3%

#### Consumer feedback for marketing/product strategies

49.8%

#### Viral web campaigns

25.4%

#### Creating blogs

24.4%

#### Podcasting

23.3%

#### RSS

19.7%

#### Blogger outreach

18.3%

#### Social networking (MySpace, Facebook etc)

16.1%

#### Consumer-generated advertising

13.6%

#### Created YouTube videos

13.3%

#### Text messaging (SMS)

10.0%

#### Video blogs (vlogs)

8.2%

#### Other

2.5%

#### None of these

11.8%

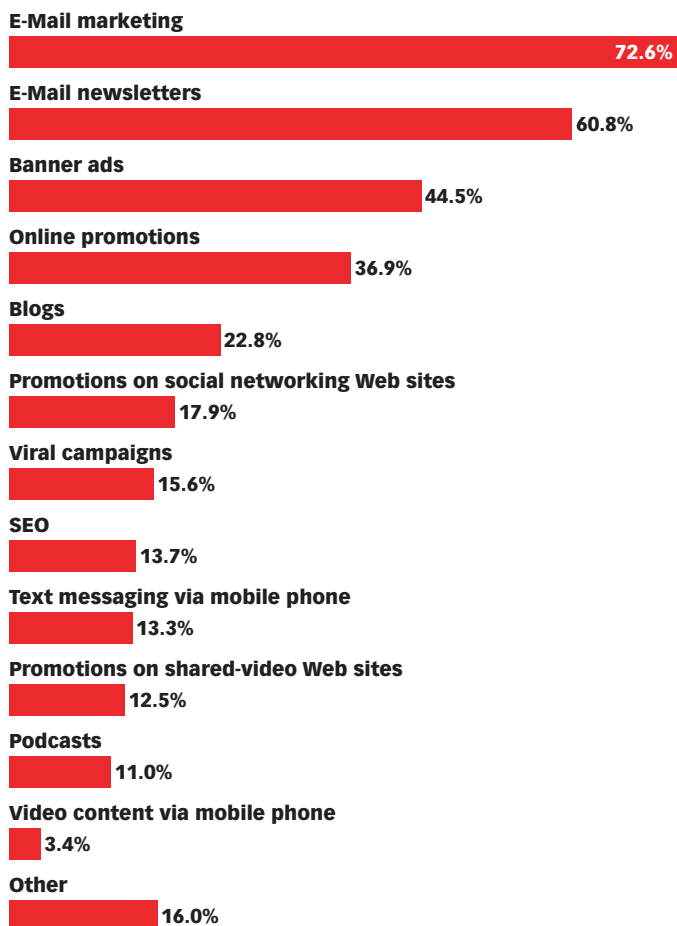
Source: Manning Selvage & Lee, "Fifth Annual PRWeek/Manning Selvage & Lee (MS&L) Marketing Management Survey" conducted by PRWeek and Millward Brown, provided to eMarketer, June 21, 2007

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Further evidence of the continued reliance on traditional Web marketing comes from a study by PROMO magazine and Penton Media Custom Research. Although 72.6% of US marketers reported using e-mail marketing, 18% said they conducted promotions on social network sites.

### Online/Mobile Marketing Tactics Used by US Marketers, February-March 2007 (% of respondents)



Source: Penton Media Custom Research, "2007 Interactive Marketer Trends Study" commissioned by PROMO Magazine, May 2, 2007

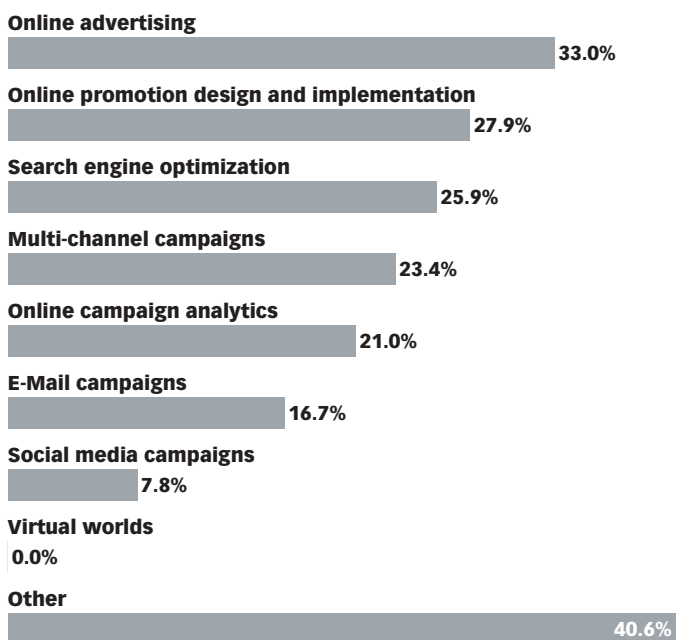
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And though more than three-quarters of US marketing professionals surveyed think that social media marketing can give them a competitive edge, they are devoting just 7.75% of their online marketing spending to such tactics, according to Coremetrics' "Face of the New Marketer" study.

"Marketers are aware of the impact that social media marketing can have on their overall program but view it as uncharted territory," said John Squire, senior vice president of product strategy at Coremetrics.

### Average Allocation of Online Marketing Budget by US Marketing Professionals, by Strategy, Q3 2007 (% of total)



Source: Coremetrics, "2nd Annual 'Face of the New Marketer,'" provided to eMarketer, October 30, 2007

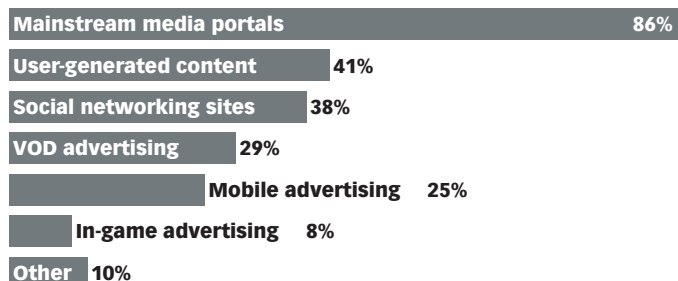
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Among the largest marketers, however, many continue to experiment with social networks. Procter & Gamble, Microsoft's Xbox, Ford, Taco Bell, Universal Pictures, Toyota, Fox Searchlight and XM Satellite Radio are among the charter advertisers using MySpace's HyperTargeting. Facebook launched its Social Ads platform with 12 leading marketers, including Blockbuster, Verizon and Procter & Gamble.

Marketers are including social networking sites in their long-range planning. Among media and entertainment executives surveyed by Accenture in early 2007, 38% said social network sites would be the most attractive area for their online ad budgets over the next five years.

### Categories of Planned Digital Advertising Spending\* by Media and Entertainment Executives in North America, Europe and Asia, Q1 2007 (% of respondents)



Note: \*where they expect to spend the majority of their budget over the next five years

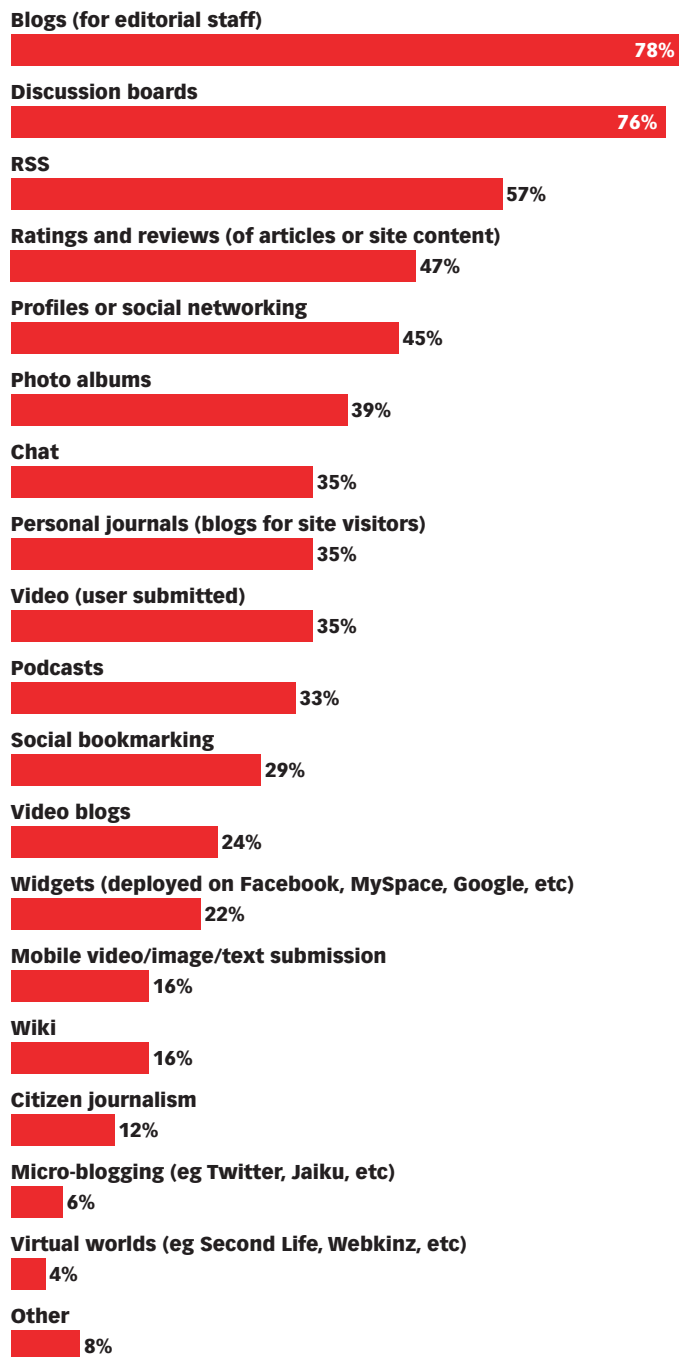
Source: Accenture, "Global Content Study 2007" conducted by The BPRI Group, April 16, 2007

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A small survey by Prospero Technologies, whose business is creating branded social networking community applications, found that 45% of the 51 businesses it surveyed (a relatively small sample) used social network marketing, ranking it behind blogs and discussion boards. Two-thirds (67%) planned to use social network marketing in 2008.

### Social Media Marketing Applications Used by US Businesses, September 2007 (% of respondents)



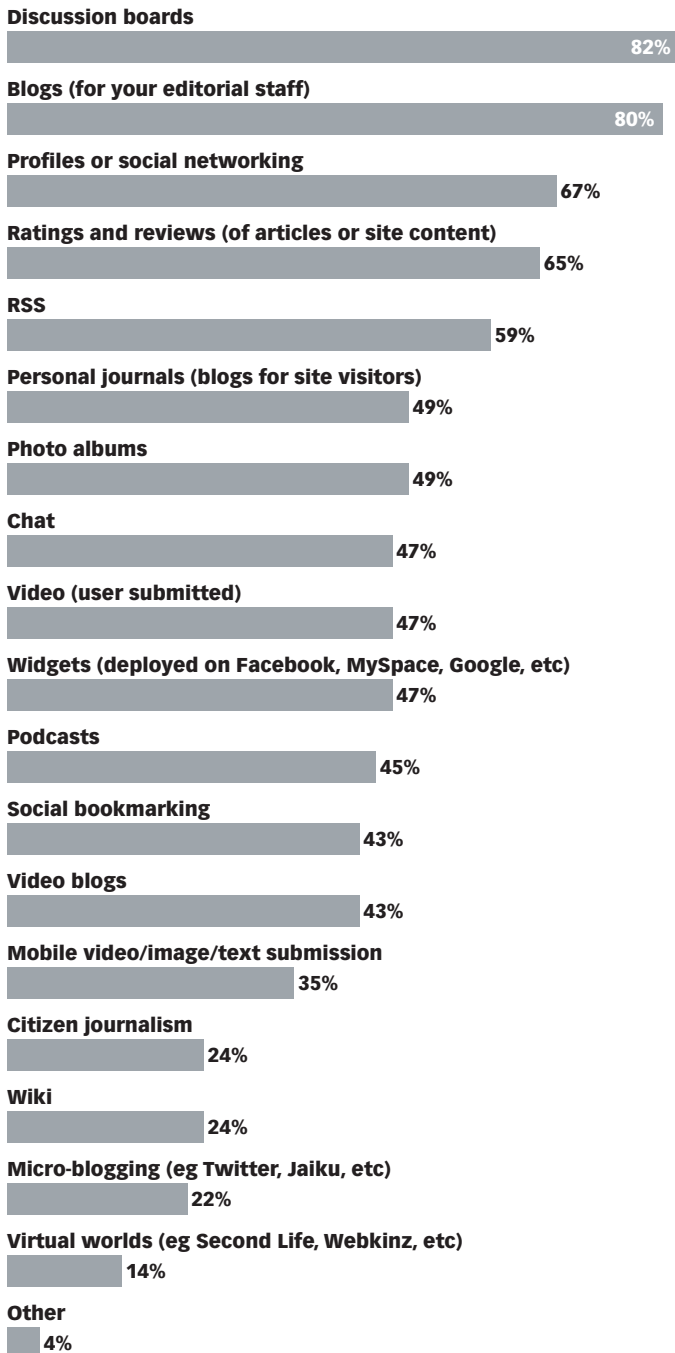
Note: n=51 that use social media marketing applications  
Source: Prospero Technologies, LLC, "2007 Social Media Survey" provided to eMarketer; eMarketer calculations, October 16, 2007

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## Social Media Marketing Applications that US Businesses Will Use Next Year, September 2007 (% of respondents)



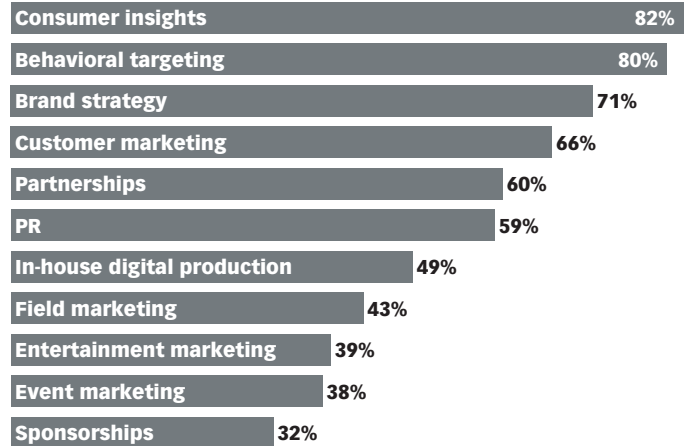
Note: n=51 that use social media marketing applications  
Source: Prospero Technologies, LLC, "2007 Social Media Survey" provided to eMarketer; eMarketer calculations, October 16, 2007

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The good news for social network sites is that marketers are intrigued with the kinds of consumer interaction that social networking makes possible. For example, marketers surveyed by the Interactive Advertising Bureau, Association of National Advertisers, American Association of Advertising Agencies and Booz Allen Hamilton said they believe targeting and gaining better consumer insights are the most important marketing tactics.

## Marketing Tactics that Are Important to US Marketers, 2007 (% of respondents)



Source: Interactive Advertising Bureau (IAB), Association of National Advertisers (ANA), American Association of Advertising Agencies and Booz Allen Hamilton, "Marketing & Media Ecosystem 2010" conducted by Guideline, Inc., October 12, 2007

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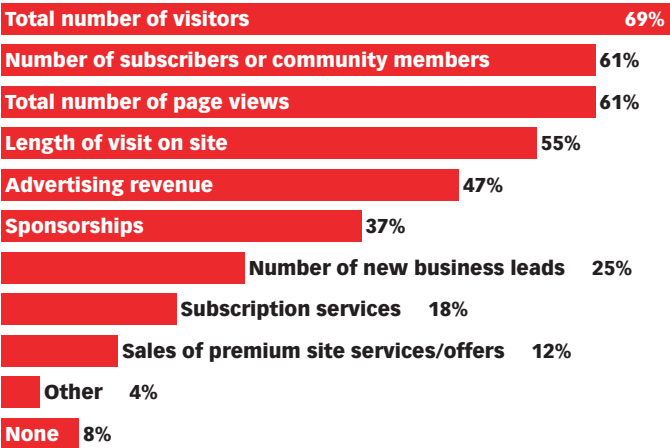
Measurement and ROI

Although marketers continue to fund social network ad campaigns, the measurement tools used to gauge the success of those campaigns are still not up to the level they should be. Facebook, for one, acknowledges this.

In an interview with eMarketer, Facebook’s Mike Murphy said: “We have to be delivering insights far beyond click-through rate by demographic. Everybody—most of the portals—can [already] deliver those insights.”

According to Prospero’s survey, the main ways marketers measure social network marketing’s return on investment are by counting visitors, subscribers and page views.

Methods by which US Businesses Measure ROI for Social Media Marketing Spending, September 2007 (% of respondents)

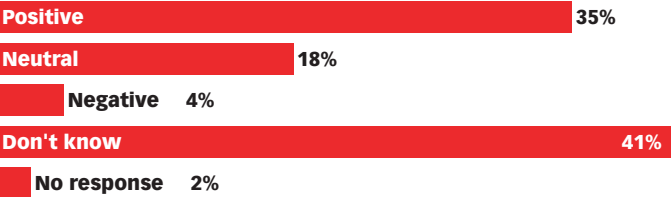


Note: n=51 that use social media marketing applications  
Source: Prospero Technologies, LLC, "2007 Social Media Survey" provided to eMarketer; eMarketer calculations, October 16, 2007

Far fewer marketers pay attention to other, potentially more meaningful metrics, such as measuring new business leads or sales of subscriptions or services.

Gaining more insight into those metrics will help marketers better determine ROI from social network marketing. Significantly, 41% of marketers surveyed by Prospero said they did not know whether their ROI from social media marketing was positive, negative or neutral.

ROI for Social Media Marketing Spending by US Businesses, September 2007 (% of respondents)



Note: n=51 that use social media marketing applications  
Source: Prospero Technologies, LLC, "2007 Social Media Survey" provided to eMarketer, October 16, 2007

Though the temptation for some marketers may be to look at the large audience of a social networking site and launch a mass branding campaign, that strategy also fails to take advantage of the engagement possibilities.

“The opportunity is to find your brand fan or your most likely brand prospects and have some relevant communication with them,” said Art Sindlinger, activation director for social media and gaming at Starcom Worldwide, in an interview with eMarketer. “It’s about engaging with people in your inner circle and trying to radiate out from there, rather than throwing a net out and fishing for folks.”

## US Consumer Usage and Attitudes

In 2007, 38% of all US Internet users age 3 and older, or 72 million people, used social networking at least once a month. This figure includes people who visited social networking sites as well as those who used social networking features that were part of other sites.

By 2011, half of all Internet users, nearly 105 million people, will use social networking regularly.

### US Online Social Network Users, 2006-2011 (millions and % of total Internet users)

2006	60.3 (33.2%)
2007	72.0 (38.3%)
2008	85.9 (44.3%)
2009	94.4 (47.2%)
2010	100.2 (48.6%)
2011	104.7 (49.6%)

*Note: ages 3+; use at least once a month; includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest and marketer-sponsored social networks*

Source: eMarketer, December 2007

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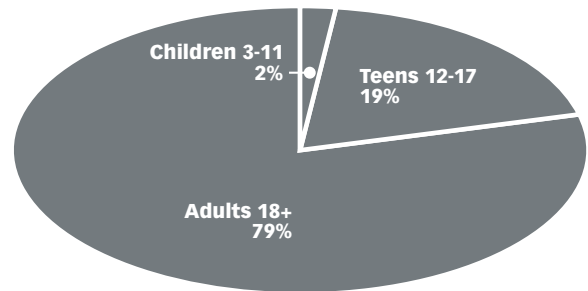
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Though sizeable, eMarketer's figures appear conservative compared with data from panel measurement company comScore Media Metrix. In October 2007, according to comScore data cited in an article in *Time* magazine, half of all US Internet users visited either MySpace or Facebook. And comScore reported that, in July 2007, 64% of all US Internet users visited a social networking site.

In fact, the difference lies in what exactly is being measured. eMarketer's figures refer to the number of Internet users who visit social networking sites at least once a month during the year; comScore's figure is a snapshot of usage in a given month.

Of all social networking users in the US in 2007, 79% were adults (age 18 and older).

### US Online Social Network Users, by Age, 2007 (% of total)



*Note: use at least once a month; includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest and marketer-sponsored social networks*

Source: eMarketer, December 2007

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That works out to 56.9 million adults, 13.6 million teens and 1.5 million children.

### US Online Social Network Users, by Age, 2006-2011 (millions)

	2006	2007	2008	2009	2010	2011
Children (3-11)	1.3	1.5	1.6	1.7	1.8	1.9
Teens (12-17)	11.5	13.6	15.3	16.4	17.1	17.7
Adults (18+)	47.5	56.9	69.0	76.3	81.3	85.1
<b>Total</b>	<b>60.3</b>	<b>72.0</b>	<b>85.9</b>	<b>94.4</b>	<b>100.2</b>	<b>104.7</b>

*Note: use at least once a month; includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest and marketer-sponsored social networks*

Source: eMarketer, December 2007

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Teens, of course, are much more likely to use social networking than adults. In 2007, 70% of all teens visited social network sites on a monthly basis. That number will rise to 77% in 2008 and 84% in 2011.

#### US Teen Online Social Network Users, 2006-2011 (millions and % of teen Internet users)

2006	11.5 (61.0%)
2007	13.6 (70.0%)
2008	15.3 (77.0%)
2009	16.4 (81.0%)
2010	17.1 (83.0%)
2011	17.7 (84.0%)

Note: ages 12-17; use at least once a month; includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest and marketer-sponsored social networks  
Source: eMarketer, December 2007

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By comparison, 37% of adults used social networking in 2007. That number will rise to 43.5% in 2008 and 49% in 2011.

#### US Adult Online Social Network Users, 2006-2011 (millions and % of adult Internet users)

2006	47.5 (32.0%)
2007	56.9 (37.0%)
2008	69.0 (43.5%)
2009	76.3 (46.5%)
2010	81.3 (48.0%)
2011	85.1 (49.0%)

Note: ages 18+; use at least once a month; includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest and marketer-sponsored social networks  
Source: eMarketer, December 2007

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The rise of social networking as a key Internet activity is evident in several surveys from other research sources.

#### Adults

According to a study by the IBM Institute for Business Value, 45% of US adult Internet users use social networking.

#### Select Types of Online Content Services Used by US Adult Internet Users, April 2007 (% of respondents)

Social networking Web site	45%
User-generated Web site	29%
Music service (eg iTunes)	24%
Premium video content for TV	24%
Online newspaper subscription	18%
PC music service	12%
Internet plan for mobile phone	10%
Content plan for mobile phone	5%
eBook subscription	3%

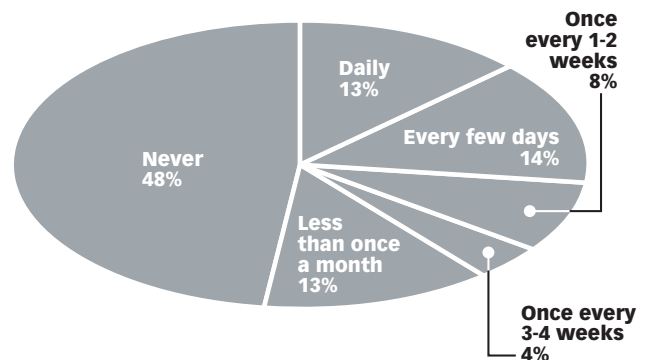
Note: n=888 ages 18+  
Source: IBM Institute for Business Value, "US Consumer Research: Digital Entertainment & Media, April 2007" conducted by Zoomerang Market Research, August 2007

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Dynamic Logic found in a September 2007 study that an even higher percentage of adults, 52%, used social networking. Just over one-quarter (27%) visited such sites at least every few days and 39% did so at least monthly.

#### Frequency with which US Adult Internet Users Visit Social Networking Sites, September 2007 (% of respondents)



Note: n=933 ages 18+  
Source: Dynamic Logic, "AdReaction 2007," provided to eMarketer, November 2007

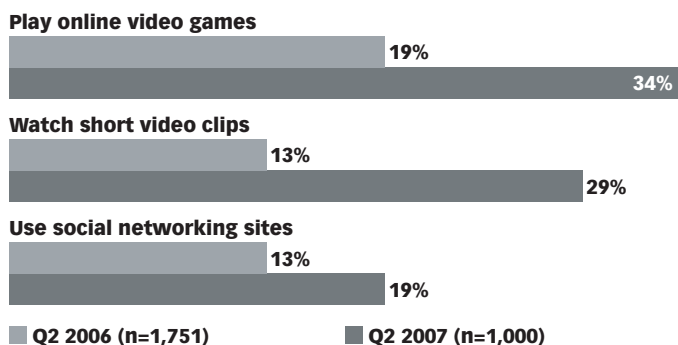
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Parks Associates, in a study conducted earlier in 2007, found that 19% of US adults visited social networking sites on a weekly basis, up from 13% in the same period in 2006. However, adults' propensity to watch online video clips or play online games grew at a faster pace.

### Select Weekly Online Activities of US Adult Household Internet Users, Q2 2006 & Q2 2007 (% of respondents)



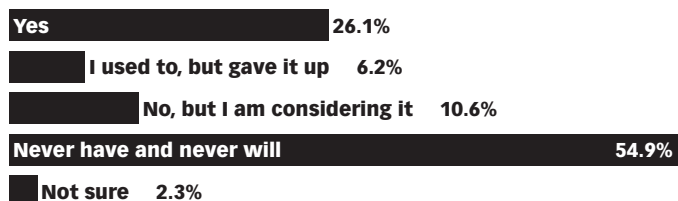
Note: ages 18+  
Source: Parks Associates, "Casual Gaming Market Update" as cited in press release, August 16, 2007

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About one-quarter of all adult Internet users (26.1%) have created a social networking profile, according to consultancy 463 Communications and pollster Zogby International.

### US Adult Internet Users Who Have a Social Networking Profile, October 2007 (% of respondents)



Note: n=9,743  
Source: 463 Communications and Zogby International, "Internet Attitudes Poll," October 24, 2007

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Social networking remains largely a young person's activity, despite the arrival of "old folks."

According to Zogby and 463 Communications, 78% of people ages 18 to 24 have a social networking profile. From there, usage drops to 56% of those ages 25 to 34 and to 22% of 35- to 54-year-olds.

Dynamic Logic reported similar findings in its September 2007 study. Among those 18 to 34, 76% reported using social networking, over half of them visiting daily or every few days. Of those 35 to 44, 61% used it, with 29% visiting at least every few days.

### Frequency with which US Adult Internet Users Visit Social Networking Sites, by Age, September 2007 (% of respondents)

	18-34	35-44	45-54	55+
Daily	25%	12%	10%	2%
Every few days	26%	17%	6%	4%
Once every 1-2 weeks	11%	12%	10%	2%
Once every 3-4 weeks	5%	3%	5%	2%
Less than once a month	9%	18%	13%	12%
Never	24%	39%	57%	78%

Note: n=933 ages 18+  
Source: Dynamic Logic, "AdReaction 2007," provided to eMarketer, November 2007

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More is becoming known about social networking usage within other demographic segments aside from age. Hispanic and African-American Internet users are significantly more likely to use social networking than other race or ethnic groups, according to Yankelovich. Separate research by a Northwestern University researcher found that college students of Hispanic origin were more likely to use MySpace and white and Asian-American students were more likely to use Facebook. African-American students did not show a strong preference.

### Online Social Networking and Communications Activities of US Internet Users, by Race/Ethnicity, March-April 2007 (% of respondents in each group)

	African American	Hispanic	Non-Hispanic white
Reading and writing e-mail	64%	66%	81%
Instant messaging	45%	46%	36%
Visiting social networking sites	33%	32%	20%
Sending greeting cards	29%	31%	26%
Participating in chat rooms	22%	22%	10%

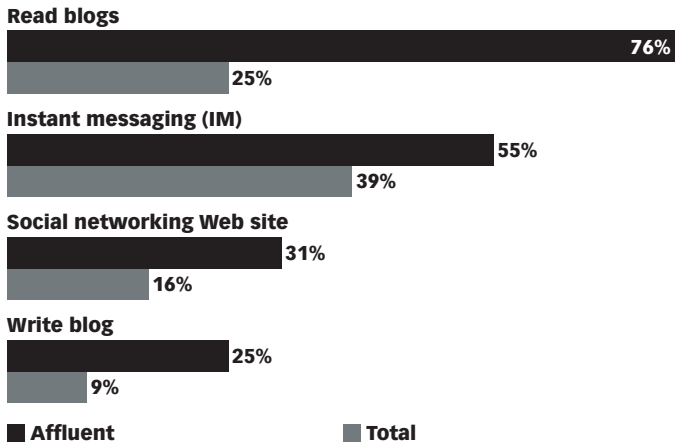
Note: n=1,038 African American, 766 Hispanic and 901 non-Hispanic white; ages 16+; activities done frequently or occasionally  
Source: Yankelovich, "2007/2008 MONITOR Multicultural Marketing Study," provided to eMarketer, September 17, 2007

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Affluence is also an indicator of social network usage, with 31% of Internet users earning \$150,000 a year using the medium, versus 16% of all Internet users, according to the Luxury Institute and Pew Internet & American Life Project.

### Blog, Instant Messaging (IM) and Social Networking Web Site Use by Affluent\* vs. Total US Internet Users, March 2007 (% of respondents in each group)



Note: \*earn \$150,000+ per year  
Source: Luxury Institute and Pew Internet & American Life Project as cited by Marketing Vox, April 11, 2007

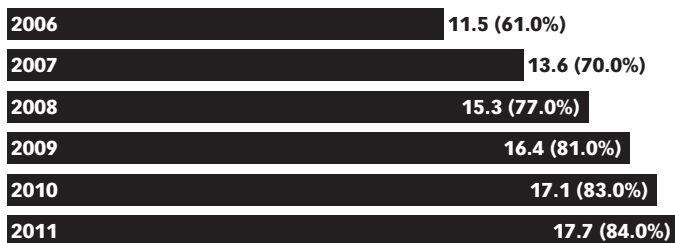
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### Tweens, Teens and Young Adults

Teens are a fast-growing social networking user group. In 2007, 70% use social networks at least once a month. That number will grow to 84% in 2011.

### US Teen Online Social Network Users, 2006-2011 (millions and % of teen Internet users)



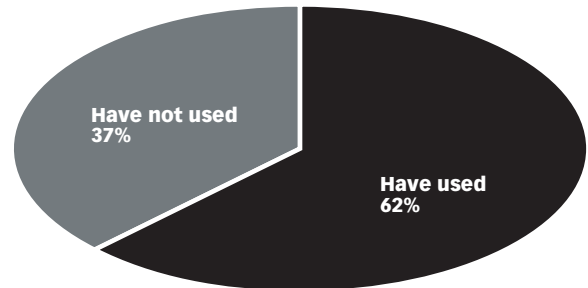
Note: ages 12-17; use at least once a month; includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest and marketer-sponsored social networks  
Source: eMarketer, December 2007

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As of April 2007, 62% of teens and young adults ages 13 to 24 had used a social networking site, according to MTV Networks and the Associated Press.

### US Teen and Young Adult Consumers Who Have Used a Social Networking Web Site\*, April 2007 (% of respondents)



Note: n=1,280 ages 13-24; numbers may not add up to 100% due to rounding; \*eg Facebook or MySpace  
Source: MTV Networks and Associated Press (AP), "Youth Happiness Study" conducted by Knowledge Networks, August 20, 2007

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A study by Cox Communications and the National Center for Missing and Exploited Children found an even greater percentage of teens—71%—had a social networking profile in 2007, up from 61% in 2006.

### US Teen Internet Users with a Social Networking Profile, 2006 & 2007 (% of respondents)



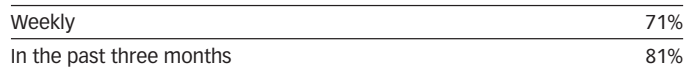
Note: public or private profile  
Source: Teenage Research Unlimited (TRU) for Cox Communications and the National Center for Missing & Exploited Children (NCMEC), "Teen Internet Safety Survey, Wave II," May 2007

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On the high end, a study by Grunwald Associates found that 71% of US tweens and teens used social networking weekly and that 81% visited such sites in the past three months.

### Frequency with Which US Tween and Teen\* Internet Users Visit Social Networking Sites, 2007 (% of respondents)



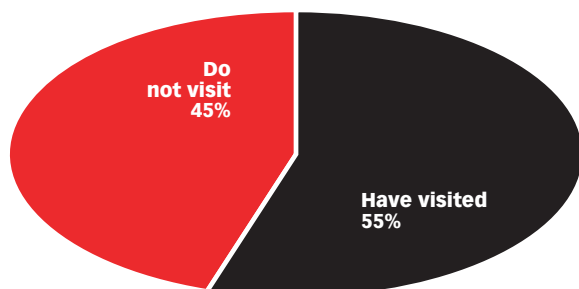
Note: \*ages 9-17  
Source: Grunwald Associates, "Kids Social Networking," as cited in press release, July 2007

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These figures were higher than those found by the Pew Internet & American Life Project in a study conducted in late 2006. At that time, it found that 55% of US teen Internet users had used social networking sites and the same percentage had created social networking profiles.

### US Teen Internet Users Who Have Used Social Networking Web Sites\*, October-November 2006 (% of respondents)

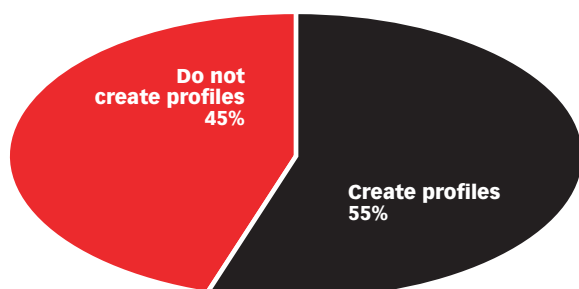


Note: n=886 ages 12-17; \*eg MySpace and Facebook  
Source: Pew Internet & American Life Project, "Social Networking Web Sites and Teens: An Overview," January 2007

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### US Teen Internet Users Who Create Profiles on Social Networking Web Sites\*, October-November 2006 (% of respondents)



Note: n=886 ages 12-17; \*eg MySpace and Facebook  
Source: Pew Internet & American Life Project, "Social Networking Web Sites and Teens: An Overview," January 2007

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Among older teen girls surveyed by Pew, the percentage was much higher at 70%.

### Demographic Profile of US Teen Internet Users Who Create Profiles Online\*, October-November 2006 (% of respondents in each group)

Gender	
Male	51%
Female	58%
Age	
12-14	45%
15-17	64%
Age and gender	
Male 12-14	46%
Female 12-14	44%
Male 15-17	57%
Female 15-17	70%
Household income	
<\$50,000	55%
\$50,000+	56%
Ethnicity	
White, non-Hispanic	53%
Non-white	58%

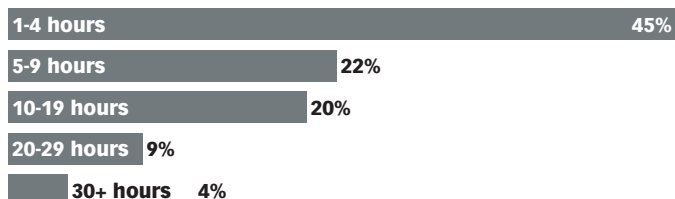
Note: n=886 ages 12-17; \*includes profiles on social networking, blogging, gaming, chat and instant messaging sites  
Source: Pew Internet & American Life Project, "Social Networking Web Sites and Teens: An Overview," January 2007

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The time suck of social networking is evident in data from Grunwald Associates. Among 9- to 17-year-olds, one-third reported spending at least 10 hours a week on such sites.

### Time Spent per Week on Social Networking Sites according to US Tween and Teen Internet Users, March 2007 (% of respondents)



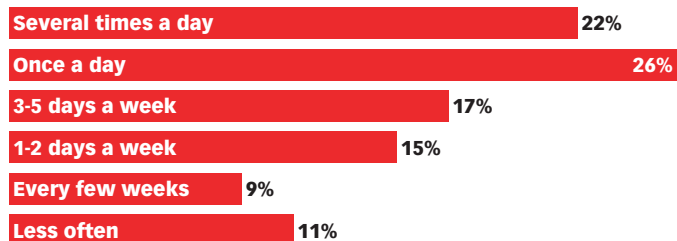
Note: ages 9-17 who had done the activity in the past three months  
Source: Grunwald Associates, provided to eMarketer, August 2007

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Even in 2006, teens surveyed by Pew were using social networking on a steady basis. Nearly half (48%) reported visiting such sites at least once a day.

### Frequency of Social Networking Web Site\* Usage among US Teen Internet Users, October-November 2006 (% of respondents)



Note: n=493 ages 12-17 who use social networking sites; \*eg MySpace and Facebook  
Source: Pew Internet & American Life Project, "Social Networking Web Sites and Teens: An Overview," January 2007

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Teens choose a social networking site based on what their friends do. Among teens and young adults surveyed by the Online Computer Library Center, 80% said they used a particular site because their friends were also there. Half said it was because the site was fun. This presents an obvious barrier to entry for latecomers.

Adults were less likely to cite those reasons for joining a social networking site. In fact, among those 50 and older, being a part of a group or community was much more important than it was for young people.

### Reasons that Internet Users Worldwide Use Social Networking Sites, by Age, 2007 (% of respondents)

	14/15-21	22-49	50+
My friends use the same site	80%	62%	40%
The Web site is fun	49%	40%	26%
To network or to meet new people	36%	39%	25%
To be a part of a group or community	28%	25%	42%
The Web site is useful	26%	26%	32%
To document my personal experiences and share with others	24%	21%	19%
To express myself creatively with self-published material	24%	14%	15%
I get regular updates on new features and functionality	8%	9%	15%

Note: Canada, France, Germany, Japan, the UK and the US  
Source: Online Computer Library Center (OCLC), Inc., "Sharing, Privacy and Trust in Our Networked World," conducted by Harris Interactive, October 1, 2007

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### Top Sites

The gap between MySpace and Facebook and other social network sites continues to grow.

According to Nielsen Online, MySpace received 58.6 million US unique visitors in September 2007 and Facebook 18.1 million.

### Top 10 Social Network and Community Web Sites in the US, Ranked by Unique Visitors, September 2006 & September 2007 (thousands and % increase/decrease vs. prior year)

	September 2006	September 2007	% change
1. MySpace	47,189	58,581	24%
2. Facebook	7,765	18,090	133%
3. Classmates Online	13,291	13,313	0%
4. Windows Live Spaces	7,782	10,275	32%
5. AOL Hometown	9,997	7,685	-23%
6. Reunion.com	4,712	4,845	3%
7. LinkedIn	1,762	4,075	131%
8. AOL People Connection	6,096	4,017	-34%
9. Club Penguin	1,333	3,769	183%
10. Buzznet.com	1,061	3,737	252%

Note: home and work locations

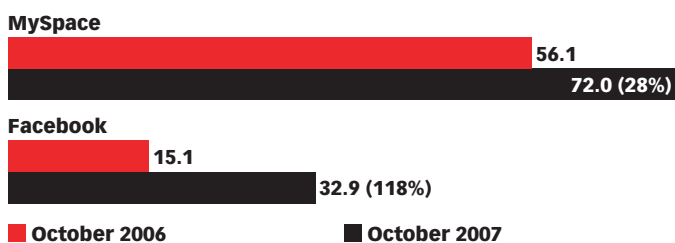
Source: Nielsen Online as cited in press release, October 19, 2007

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According to comScore Media Metrix, Facebook grew its US unique visitor count by 118% between October 2006 and October 2007, to 33 million. MySpace grew by 28% in that period, to 72 million.

### US Unique Visitors to MySpace and Facebook, October 2006 & October 2007 (millions and % change)



Source: comScore Media Metrix press releases, November 2006 & November 2007; eMarketer calculations, December 2007

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The unique visitor counts are significantly different from each other, but the percentage increases are similar. One reason for the difference in the total visitor counts is that Nielsen's panel does not include university users, who represent a large portion of social networking site visitors.



Despite the differences in visitor counts, both sites are reaching an increasing share of Internet users. The reach of MySpace alone grew from 32% of US Internet users in October 2006 to 40% in October 2007, according to comScore. Facebook's reach doubled to 18% in the same period.

### US Unique Visitors to MySpace and Facebook, October 2006-October 2007 (thousands, % reach and % change)

	MySpace			Facebook		
	Unique visitors	% reach	% change vs. prior month	Unique visitors	% reach	% change vs. prior month
October 2006	56,053	32.0%	-	15,108	9.0%	-
November 2006	57,242	33.0%	2.1%	16,695	10.0%	10.5%
December 2006	60,887	35.0%	6.4%	19,105	11.0%	14.4%
January 2007	61,524	35.0%	1.0%	18,961	11.0%	-0.8%
February 2007	64,443	37.0%	4.7%	16,737	10.0%	-11.7%
March 2007	66,298	37.0%	2.9%	20,826	12.0%	24.4%
April 2007	66,778	37.0%	0.7%	23,042	13.0%	10.6%
May 2007	68,939	39.0%	3.2%	26,649	15.0%	15.7%
June 2007	70,478	39.0%	2.2%	27,965	16.0%	4.9%
July 2007	69,617	39.0%	-1.2%	30,557	17.0%	9.3%
August 2007	68,392	38.0%	-1.8%	33,745	19.0%	10.4%
September 2007	68,449	38.0%	0.1%	30,601	17.0%	-9.3%
October 2007	71,982	40.0%	5.2%	32,910	18.0%	7.5%
<b>% change October 2006-October 2007</b>	-	-	<b>28.4%</b>	-	-	<b>118.0%</b>

Note: home, work and university locations

Source: comScore Media Metrix, as cited in press releases, November 2006-November 2007; eMarketer calculations, December 2007

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Among consumers age 14 and older who were surveyed by the Online Computer Library Center, 75% said MySpace was a favorite social networking site. In this study, Facebook and Classmates.com were tied for second at 31%.

### Favorite Social Networking Sites among US Internet Users, 2007 (% of respondents)

<b>MySpace</b>	<b>75%</b>
<b>Facebook</b>	<b>31%</b>
<b>Classmates.com</b>	<b>31%</b>
<b>Xanga</b>	<b>11%</b>
<b>MSN Spaces</b>	<b>10%</b>
<b>Friendster</b>	<b>7%</b>
<b>myYearbook</b>	<b>5%</b>
<b>Bebo</b>	<b>5%</b>
<b>eHarmony</b>	<b>5%</b>
<b>del.icio.us</b>	<b>3%</b>

Note: ages 14+

Source: Online Computer Library Center (OCLC), Inc., "Sharing, Privacy and Trust in Our Networked World," conducted by Harris Interactive, October 1, 2007

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North America visitors spent 223 million hours on MySpace in August 2007 and 173 hours on Facebook, according to comScore Media Metrix. Bebo was a distant third, with 22.2 million hours.

### Top Five Social Network Sites in North America, Ranked by Total Time, August 2007 (millions of hours)

<b>1. MySpace</b>	<b>223.1</b>
<b>2. Facebook</b>	<b>173.2</b>
<b>3. Bebo</b>	<b>22.2</b>
<b>4. GaiaOnline</b>	<b>7.9</b>
<b>5. Nexopia</b>	<b>6.3</b>

Source: comScore Networks as cited in comScore Voices blog, October 26, 2007

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Aside from visitor counts, MySpace and Facebook both exceeded in other metrics. MySpace visitors viewed an average of 55 pages for each visit and visited the site 18 times, for an average of 990 page views for each visitor during the month, according to Compete. At Facebook, visitors viewed an average of 616 pages during the month.

### US Usage Metrics for MySpace and Facebook, August 2007

	MySpace	Facebook
Unique visitors	69,296,915	26,224,486
Visits (millions)	1,235	355
Page views (billions)	67.7	15.7
Average stay (mins:secs)	26:18	14:08
Page views per visit	55	44
Visits per unique visitor	18	14
Attention	10.8%	1.7%

Source: Compete, Inc. as cited in company blog, September 11, 2007

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And what of the idea of the aging social network user? Data from panel measurement companies comScore, Nielsen Online and Compete show that nearly half the audience of MySpace and Facebook were age 35 and older in a given month.

### US Unique Visitors Ages 35+ to MySpace and Facebook, October 2007 (millions and % of total)

	MySpace	Facebook
Total unique visitors	72.0	32.9
Unique visitors ages 35+	32.9	13.6
Ages 35+ % of total unique visitors	45.7%	41.3%

Note: home, work and university locations

Source: comScore Media Metrix, provided to eMarketer, November 2007

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### US Unique Visitors Ages 35+ to MySpace and Facebook, October 2007 (% of total unique audience)

MySpace	49.8%
Facebook	47.2%

Note: home and work locations

Source: Nielsen Online, provided to eMarketer, November 2007

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### Comparative Estimates: US Unique Visitors Ages 35+ to MySpace and Facebook, October 2007 (% of total)

	MySpace	Facebook
comScore Media Metrix*, November 2007	45.7%	41.3%
Hitwise**, November 2007	44.2%	48.9%
Nielsen Online***, November 2007	49.8%	47.2%

Note: \*home, work and university locations; \*\*four weeks ending

November 24, 2007; \*\*\*home and work locations

Source: comScore Media Metrix, provided to eMarketer, November 2007;

Hitwise, provided to eMarketer, November 2007; Nielsen Online, provided to eMarketer, November 2007

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## International Usage and Attitudes

Although the social networking infrastructure in the US is well developed, social networking is even more prominent in other regions of the world.

Among Internet users surveyed in 2007 in the US, UK, Japan, France, Germany and Canada, 28% used a social networking site, according to the Online Computer Library Center.

### Online Activities of Internet Users Worldwide, 2007 (% of respondents)

Browsed for or purchased items online	77%
Online banking or investment services	58%
Browsed for or purchased books	56%
Sent or received instant messages	51%
Read someone's blog	45%
Used a social networking site	28%
Created a Web page	20%
Searched a library Web site	20%

Note: ages 14+; Canada, France, Germany, Japan, the UK and the US  
Source: Online Computer Library Center (OCLC), Inc., "Sharing, Privacy and Trust in Our Networked World," conducted by Harris Interactive, October 1, 2007

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In the Asia-Pacific region, for example, 169 million people visited social network sites in August 2007, according to comScore. In Europe, 127 million people did so, compared with 124 million in North America. comScore's worldwide measurement is for users age 15 and older in select countries.

### Unique Visitors to Social Network Sites Worldwide, by Region, August 2007 (millions and % change\*)

Asia-Pacific	169 (29%)
Europe	127 (19%)
North America	124 (10%)
Latin America	42 (16%)
Middle East/Africa	21 (23%)

Note: \*November 2006-June 2007

Source: comScore Networks as cited in comScore Voices blog, October 26, 2007

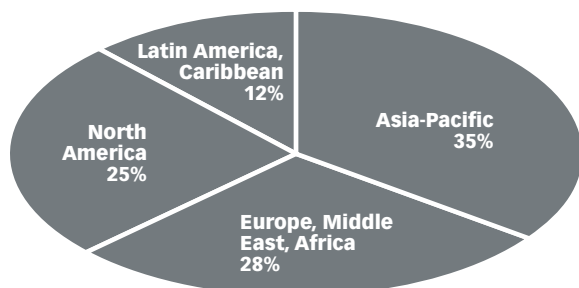
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Adding up the figures in the preceding chart, a total of 483 million people visited social network sites in August 2007. About 35% came from Asia-Pacific, 26% from Europe, 26% from North America, 9% from Latin America and the rest from the Middle East and Africa.

Datamonitor reported a similar breakdown of worldwide social network users.

### Social Networking Members Worldwide, by Region, 2007 (% of total)



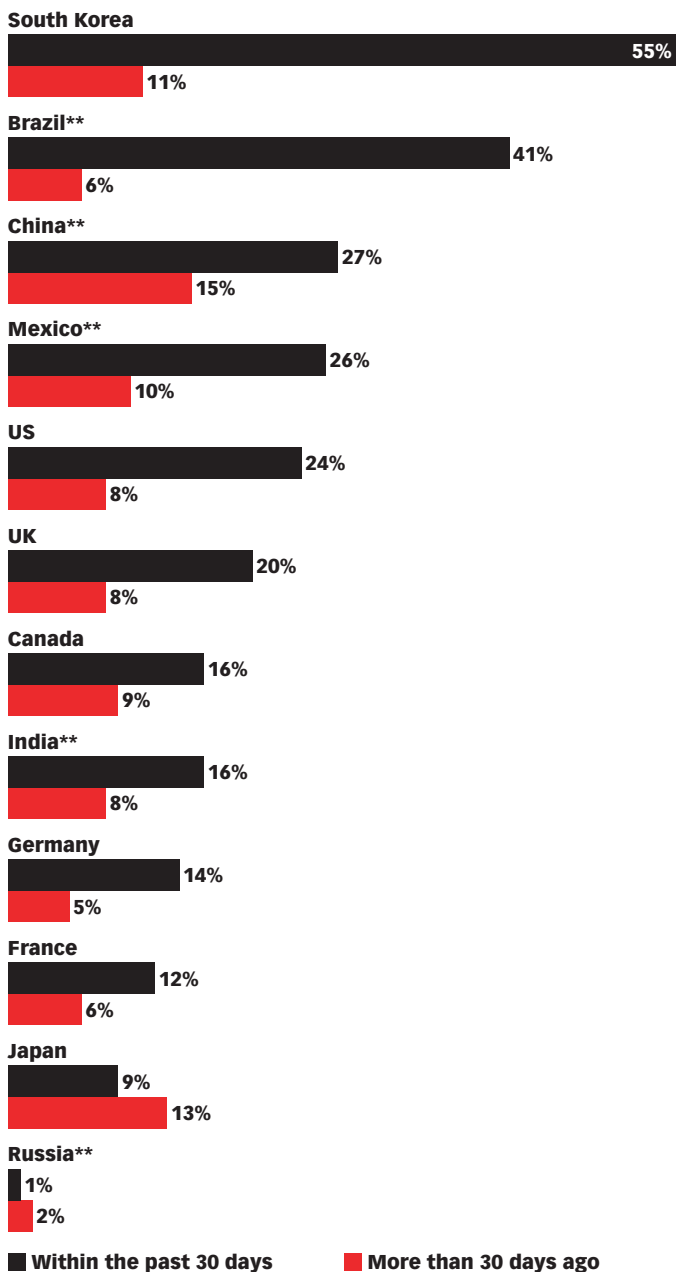
Source: Datamonitor, "The Future of Social Networking: Understanding Market Strategic and Technological Developments," as cited by Network World, October 19, 2007

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Social networking use in some countries is extensive. In 2006, 55% of Internet users in South Korea and 41% in Brazil had visited a social networking site in the past month, according to Ipsos Insight. That compared with 24% in the US. The high penetration rates were likely due to the prominence of Cyworld, the virtual-world-like social network in Korea, and Google's Orkut in Brazil.

### Active\* Internet Users in Select Countries Worldwide Who Have Recently or Ever Visited Social Networking Web Sites, November-December 2006 (% of respondents)



Note: \*in the past month; \*\*urban sample

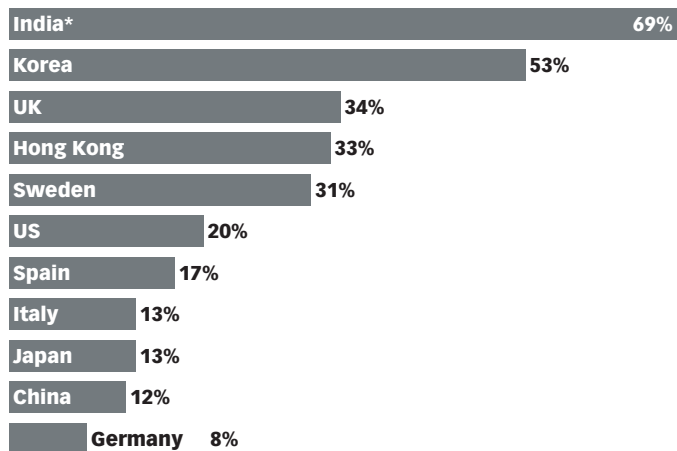
Source: Ipsos Insight, "The Face of the Web 2006" as cited in press release, July 5, 2007

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In a survey conducted in 2006, Forrester found similarly high usage in Korea (53%). In metropolitan areas of India, 69% reported using social networking, telling a starkly different story than the Ipsos data in the preceding chart. In the US, the figure was 20%.

### Social Networking Users in Select Countries Worldwide, 2006 (% of Internet users)



Note: \*metropolitan

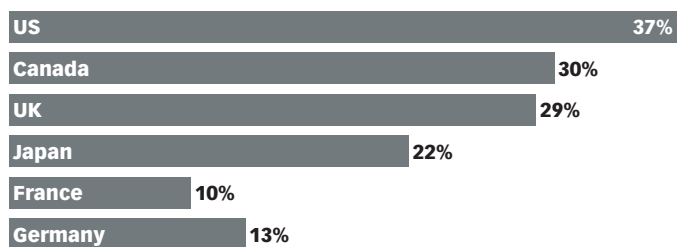
Source: Forrester Research, "Asia Pacific Consumer Technology Adoption Survey, 2006," "European Consumer Technology Adoption Survey, 2006" and "North American Consumer Technology Adoption Survey, 2006" as cited in "Japanese Consumers Adopt Social Computing," October 31, 2007

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The survey by the Online Computer Library Center, published in October 2007, found that usage in the US led other countries such as Canada and Japan. The OCLC also showed online social network sites to be more popular in the US than the UK, the opposite of the Forrester Research finding.

### Social Networking Site Usage among Internet Users in Select Countries Worldwide, 2007 (% of respondents)



Note: ages 14+

Source: Online Computer Library Center (OCLC), Inc., "Sharing, Privacy and Trust in Our Networked World," conducted by Harris Interactive, October 1, 2007

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## Related Information and Links

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### Related Links

**Journal of Computer Mediated Communication paper, "Whose Space? Differences Among Users and Non-Users of Social Network Sites"**

<http://jcmc.indiana.edu/vol13/issue1/hargittai.html>

**Online Computer Library Center paper, "Sharing, Privacy and Trust"**

<http://www.oclc.org/reports/pdfs/sharing.pdf>

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