Chapter 37

A Comparative Analysis of Online Social Networking Sites and Their Business Models

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ABSTRACT

In the world of e-marketing, new business models are introduced to accommodate changes caused by various factors, including the markets, the services, the customers, among others. One latest trend of e-marketing is social networking Web sites, many of which have attracted not only large number of users and visitors, but also business companies to place their online ads on the sites. As an important example of Web 2.0 applications, online social networks deserve comprehensive studying and analysis; they are not only employed as an effective vehicle of e-marketing, but may impact how future Web-based applications would be developed. In this chapter, we explore online social networking as a new trend of e-marketing, by conducting a comparative analysis of online social networking sites. We first discuss the various types of online social networks, based on the classification by Laudon & Traver (2008), and then analyze online social networks from a business strategy point of view, by discussing the primary revenue models for online social networking sites. The primary contribution of this chapter is a comparative analysis and discussions of representative online social networking sites and their respective revenue model(s). This chapter aims to provide the reader with a basic understanding of the emerging online social networking Web sites and their primary revenue models.

INTRODUCTION

Internet innovations have caused major changes in not only our personal lives, but also the ways that business and commerce are conducted. As

reported by the Center for Media Research (2008), "… online sales excluding travel are expected to hit $204 billion in 2008, an increase of 17% over last year." In e-commerce, the market is continuously changing and evolving, partly due to changes in the types of services and the underlying enabling technologies (among many other factors) (The Center

for Media Research, 2008). The dynamic nature of e-commerce leads to the need for a dynamic business model. As argued by Reuver, Bouwman and MacInnes (2007), "In the turbulent world of e-business, companies can only survive by continuously reinventing their business models."

Since its inception in the early 1990s, the Internet has witnessed tremendous innovations; many new Internet-based applications and services have emerged over the past two decades (Yang, Kim, & Dhalwani, 2007). Table 1 illustrates the progress of representative web-based services, from the early static web pages (early 90s) to today's Web 2.0 applications, including online social networks and online collaboration websites. Also shown in Table 1 are the respective years of inception, example sites, and supporting tools for each of the representative services.

An online social network refers to a computer-network mediated social structure made of nodes, which are usually individuals or organizations tied by one or more specific types of relations, such as financial exchange, friendship, passion, trade, web links, airline routes, hobbies, et al. Online social networks connect people with all different types of interests, and one area that is expanding in the use of these networks is the corporate environment. Businesses are beginning to use online social networks as a means to help employees to connect, or customers to obtain information or help through computer and network technologies. This trend of using social networks as a business service enables employees to be connected with other business professionals, and provide an innovative way of servicing customers.

The primary goal of this chapter is threefold: i) to explore online social networking, which represent one of the recent innovations of Web 2.0 applications and is becoming a new trend of e-marketing, ii) to conduct a comparative case analysis of a few selected popular online social networking sites, and iii) to examine issues related to the business models of online social networking sites.

Next sections first describe the general background and the five generic types of online social networks, based on the classification by Laudon & Traver (2008), and then discuss the business models of online social networking sites with five primary e-business revenue models from related literature. Afterwards, we present a comparative case analysis of several representative popular online social networking sites, focusing on their types and their potential business opportunities. The chapter concludes with discussions of our findings and the future research issues of online social networking.

Table 1. Evolution of web-based services

Web-based services	Approx. year of inception	Example services / tools
1. Static Web Sites	Early 1990s	The first commercial web browser, *Netscape Navigator*, was launched in 1995.
2. Interactive Web Sites	1995	Java applets, Java scripts, VB scripts, …
3. Search Engines	1995	Lycos, Yahoo, …, Google (1998)
4. Discussion Groups	1995	Yahoo groups, Google groups
5. E-Commerce Sites	1995	Amazon.com, e-Bay, …
6. Online Social Networks	Early 2000s	MySpace (2003), LinkedIn (2003), Facebook (2004), Ning (2005), Flickr, YouTube, …
7. Online Collaboration Sites	Early 2000s	Wikipedia.org (2001)
8. Immersive Online 3-D Virtual Worlds	2003	Second Life (2003), There (2003), World of Warcraft (2004), Multiverse (2007), …

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