

The Hollow Men, or, the mouse that clicks

We investigate the downside of simplicity, as manifest in superficiality, imprecision, and unstable trends that are ultimately without substance.

Click. We are the Internet generation, the approximate generation, coming, going, impatient, changing, with the click of a mouse, moving on, alas... In last month's article in this column it was argued that, in the face of escalating complexities surrounding both of capital markets and the broader media sector, simplicity in itself becomes a value. We brought our thesis to conclusion with an overview of Twitter and the funding round that the social micro-communication network was then in the process of securing. Now that the Twitter deal has closed, we take the original idea of simplicity one step further this month, by way of a sort of sequel, and investigate the downside of simplicity (its immediate value notwithstanding), as manifest in superficiality, imprecision, and unstable trends that are ultimately without substance. The Internet sector contains perhaps the best sampling of such phenomena, and within the Internet sector social networks like Twitter may be the clearest illustration of simplicity's possible perils. Here then are a few notes about flightiness, and some contrasting remarks about the more substantial and potentially lasting value of proprietary, versatile, facilitating, ubiquitous technologies and applications, that can enhance user experience and establish loyalty, even in this environment.

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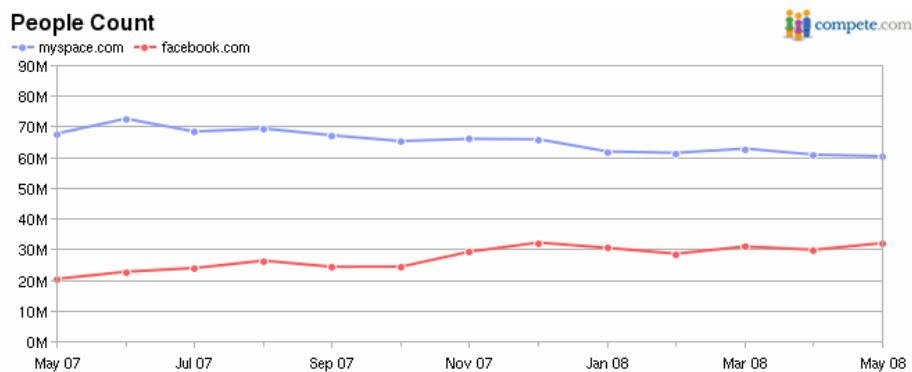
Superficiality: According to published reports, the venture capital deal that has captured the imaginations of bloggers and analysts all through the web has finally closed at a healthy valuation (approximately \$100 million according to market rumors). That the underlying company generates no revenue is in no way noteworthy, given even grander valuations attached to Twitter's social web predecessors, including YouTube and MySpace, both of which were similarly light of top line at their respective times of transaction. What is much more interesting in the current case of Twitter is that the platform often does not work, literally. Yes, the service is popular, (when the site is up), but the conversational social network has been, regularly enough, out of commission. Beyond its popularity, there is really not much that recommends Twitter's offering – a communication network driven by snippets of dialogue – and like other social networks, Twitter's popularity is (circularly enough) what makes it popular. One therefore wonders, given the widely reported problems experienced by Twitter's user base, whether the value attributed to this emerging platform is sustainable. There are competitors around, (notably Friendfeed and

Pownce, and a few others), and this is the boundless Internet after all. Click.

If Twitter's value proposition is based on pure popularity, with little technical differentiation or substance to speak of, one might look to the experience of social network predecessors to see how stable or unstable such value propositions can be. Let's look.

Unstable trends: As the abundance of popular Internet services are offered free of charge and without customer commitments, the transferability of audience from one popular platform to another is often driven by (for lack of a better term) "buzz." And this is particularly true in the absence of superior features or differentiating technical factors.

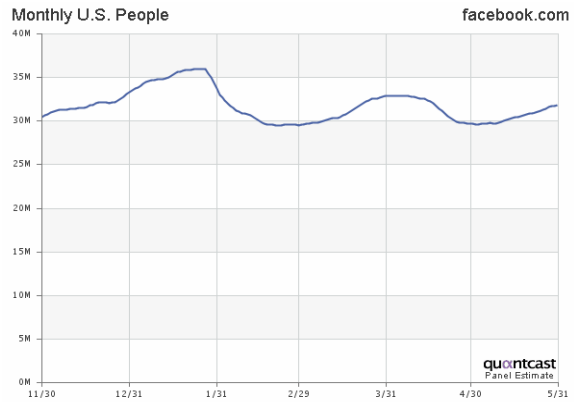
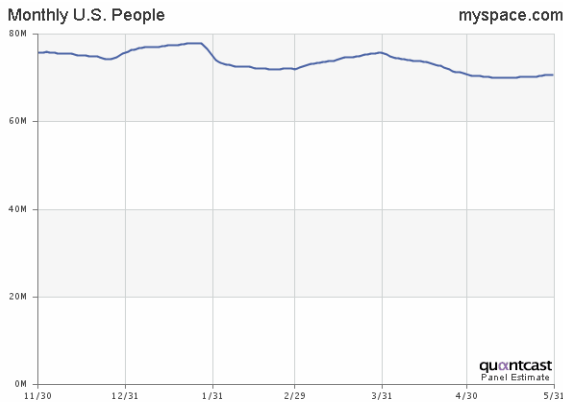
At the time of the MySpace acquisition by NewsCorp in 2005, the former was by far the leading social network on the web. With some 27 million members (that in a few months almost doubled), the closest competitor then was Facebook, which was a distant second with a mere 11 million. Well then, the buzz has changed. See below:



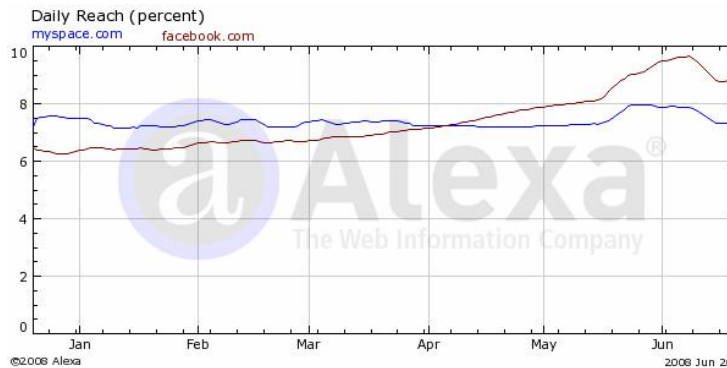
Considering that the estimated size of Twitter's current audience (with all the buzz that generated it) is still less than 2 million ... a loss of 10 million "uniques" by one platform alone is in both absolute and relative terms not a swing to ignore.

Noteworthy in this chart is not only the steady rise of Facebook in the past twelve months, but the directly corresponding diminution of MySpace. A transfer of 10 million unique monthly visitors seems to have occurred, and the trend does not appear to be slowing. Considering that the estimated size of Twitter's current audience (with all the buzz that generated it) is still less than 2 million according to the same audience measurement service, a loss of 10 million "uniques" by one platform alone, over a 1-year period, is in both absolute and relative terms not a swing to ignore. What's worse, this has occurred for no substantial reason... and no downtime issues. Click.

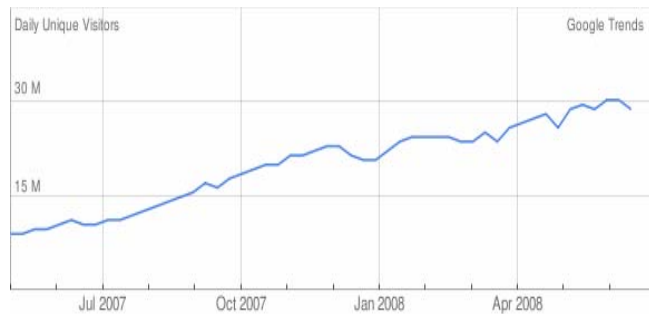
Imprecision: As if it were even possible to accurately measure web traffic... The previous chart was sourced from one particular web audience-measurement platform. Here is what another commonly used resource tells us:



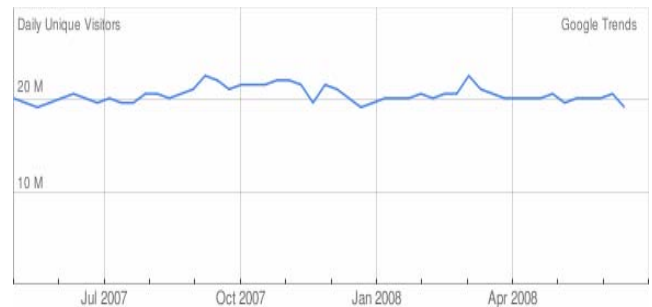
And another:



And the latest, Google's new Trends for Websites service:



Facebook



MySpace

The particular tools and mechanisms used by each of these services to estimate web audience are different but equally complex, and the specifics extend beyond the scope of this article.

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Our purpose for now is merely to illustrate the inaccuracy and inconsistency of data:

- As a market share proxy, Alexa shows Facebook to have actually surpassed MySpace some three months ago.
- In absolute terms, Google also shows Facebook to have surpassed MySpace, though maybe in the past six months, or possibly longer.
- Quantcast figures coincide more closely with Compete.com, and figure MySpace at still twice the size of Facebook.
- Google, measuring daily rather than monthly traffic, shows MySpace to be less than half as popular as estimated by Quantcast or Compete.com, while Facebook's daily traffic in Google's estimate is roughly similar to its monthly traffic according to the other two services.

These are not trivial differences, and not the sort of substance to plan around, to confidently base a budget on, to defend CPM rates, or to estimate enterprise value. Ultimately, there is no substitute for internal traffic logs, but the reality of accessing these is inefficient, unproductive, if not prohibited. And thus we settle for approximation... and, what is worse, based on widely disparate figures. So... what actually is Twitter's audience? Pause...

Click.

We see a growing number of exciting new technologies and applications, designed to work in conjunction with existing platforms, vastly improving the user experience on any of these, without being limited to any one.

The lasting value: Amid all this vagueness and continuous change in a still evolving industry, there are nonetheless certain constants that seem to remain. As trends come and go and as popularity builds on itself and evaporates, there are underlying platforms, technologies, and applications that can be relied upon to last. For this reason, perhaps, Google with its superior search technology has succeeded where others have fallen by the wayside (or are about to). For this reason again, even Facebook seems to have recognized the importance of continuous evolution and improvement, and has begun, at least now in its more mature state, to establish a technical edge by opening its platform to outside developers for the creation of unique Facebook applications. By the same token, companies such as Meebo are creating unique technical capabilities that do not rely on the popularity of any one platform but offer the ability to utilize any or all, (in Meebo's case, instant messaging). We also see a growing number of exciting new technologies and applications, designed to work in conjunction with existing platforms, vastly improving the user experience on any of



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these, without being limited to any one. (In the web advertising field we have been impressed by companies such as Linkstorm (www.linkstorms.com), and in the micro-communications segment by PodGlo Enterprises (www.podglo.com).)¹ As buzz happens and the dust on the social web settles, these innovative and versatile technologies demonstrate that, happily, substance still does exist.

By Dan Ramsden
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¹ See important disclaimer on page 18 at (*).



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