

# Social Media - Past, Present and Future (Dec 10)

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*This is an adaptation of a recent talk he gave at the Caltech/MIT Enterprise Forum on “the future of social networking.”*

## Social Networking 25 Years Ago: CompuServ, Prodigy & The Well

Listening to young people talk about social networking as a new phenomenon is a bit like hearing people talk about a remake of a famous song from my youth as though it was the original version. If you think “[Don’t Stop Believing](#)” was first recorded on the show Glee I’m talking to you. And so it goes with social networking.



Yes, I was doing it when I was a teenager and yes, it was online, too. We were on services called CompuServe and Prodigy. Other people were in the online community called “[The Well](#)” (founded in 1985). We connected for the same reasons you do today. We were looking for what I call the “6 C’s of Social Networking” – Communications, connectedness, common experiences, content, commerce & cool experiences (fun!). There were chat rooms, discussion groups, dating, classified ads—you name it.

In in the early 90’s I was in my early 20’s and I programmed on mainframe computers using COBOL, CICS and DB2. We had email, instant messaging, group calendars, discussion boards, etc. It isn’t new stuff. It just works better now and there are more people doin’ it.

## The Bridge Between Online Services & The Internet: AOL

And then came AOL. It preceded the WWW. It was an online community like CompuServe and eventually started offering people dial-up access to the Internet for a monthly fee. It became the onramp for newbies. The funny thing about AOL is that while you dialed up to the Internet, the goal of AOL was to keep you locked into their proprietary content and thus earned the classification of “walled garden” because they kept you inside AOL. They had a proprietary browser, their own search engine, their own content, chat rooms, email system, etc.

As I like to say, my Mom would call me proudly and say, “Honey, I’m on the Internet!” And I’d say sardonically, “no, Mom, you’re not on the Internet. You’re on AOL!” I don’t think she really understood the difference. AOL was controlled by one company and the Internet was distributed. AOL controlled the services, taxed companies to access users and decided what was good or bad. AOL was closed, the Internet was open.

But AOL brought online services, email, chat and discussion boards to the masses and thus educated a generation that paved the way for others. They blanketed the country in CDs stuffed inside of food packages and service as coasters on airplanes. At it’s peak AOL had about 20 million US subscribers. That might not sound like a lot in a Facebook world but remember that these people were paying an average of about \$20 / month to AOL for access alone (i.e. \$5 billion in annual subscription revenues leaving out advertising or eCommerce).

Brands didn’t advertise their web pages they advertised “AOL Keywords.” You couldn’t pick up a magazine in the 96-99 timeframe without seeing AOL Keywords advertised everywhere. If you were a newly minted, venture-backed consumer Internet company you had to have a deal with AOL to reach your customers. They controlled distribution to the masses.

When Time Warner & AOL merged it was widely feared that this would be a monopoly that would control the Internet. Ha.

As I write these words I’m aware that I could practically change the words AOL and Facebook for much of this section and with a few factual tweaks it might not be noticeable to the reader who I was talking about. More on that later.

### **Social Networking in Web 1.0: GeoCities, Tripod & Yahoo! Groups**

By the mid-nineties we had the World Wide Web, which gave us a standard way to publish web pages using HTML. Smart people understood that people still wanted to accomplish on the world wide web all of things that we did in the pre-Internet world. Companies like GeoCities & Tripod built tools that let you publish web pages that could be discoverable by others.

Yahoo! rose to prominence by offering a free, ad-supported alternative to all of the crap your mom got on AOL for \$20 / month. After a few acquisitions they offered many of the services you think about as foundations to social networks today. They had mail, IM, groups, answers, etc. Groups in particular became the standard for clubs across the company to communicate to their churches, mothers’ clubs & schools. Yahoo! then bought GeoCities for \$3.6 billion. They looked unstoppable. Ha.

Yes, social networks of 2010 have much better usability, have better developed 3rd-party platforms and many more people are connected. But let’s be honest – they’re mostly the same old shit, reinvented, with more people online and trained.

## The Present



### Social Networking in Web 2.0: Plaxo & LinkedIn

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

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

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

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

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

## Modern Social Networking: Friendster, MySpace & Facebook

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

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

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

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

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

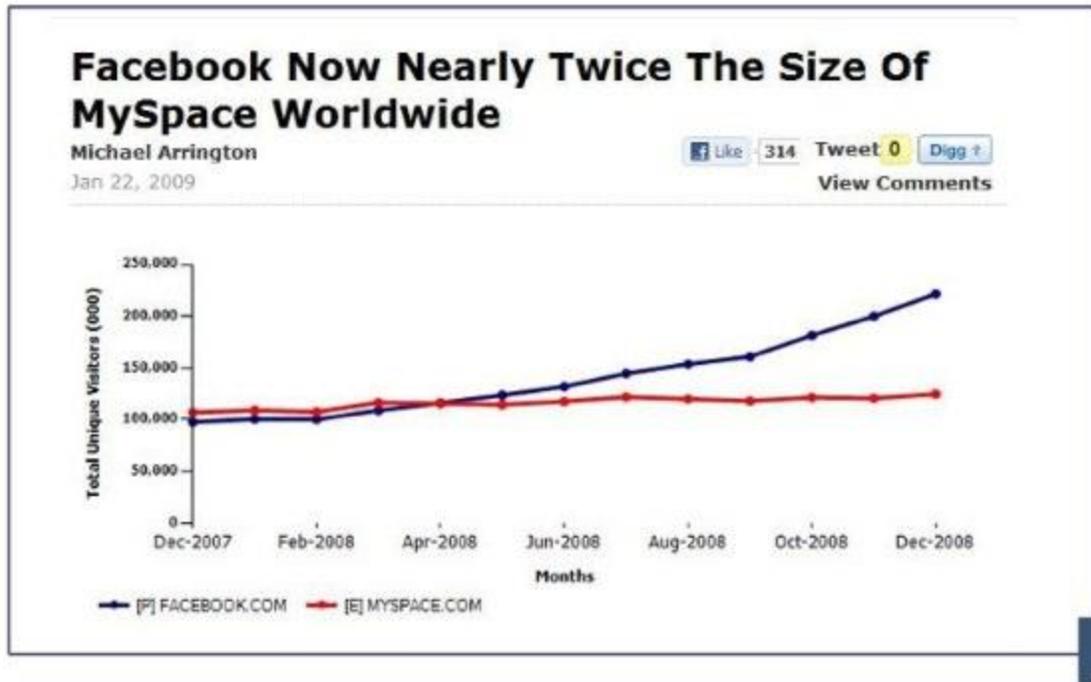
Murdoch seethed at these “startups” getting rich off the back of MySpace. The conventional wisdom at Fox’s headquarters is that MySpace had “made” both YouTube & Photobucket by allowing them distribution. MySpace vowed not to create anymore million dollar successes off of their backs that Google could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

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

Enter Facebook. It had grown stratospherically from 2004-2007 to 100 million users, which actually was slightly smaller in December 2007 than MySpace was. Facebook was everything that MySpace wasn’t. It was: up-market, exclusive, urban, elite, aesthetically pleasing, ad-free and users were verified. MySpace was: scantily dressed, teenaged, middle-America, design chaos and on ad steroids.

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

## Within a SINGLE YEAR the game was over



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

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

### Social Networking goes Real Time: Twitter

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

Another Twitter innovation was “asymmetry” because you didn’t have to have a two-way following relationship to be connected. You could follow people who didn’t necessarily follow you back. This allowed followers to be able to “curate” their newsfeed with people that they found interesting. Twitter restricts each post to 140 characters so users often share links with other people – one of the most important features of Twitter. So this combination of following people you found interesting who share

links drove a sort of “news exchange” that mimicked many of the features of RSS readers except that it was curated by other people!

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

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

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

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

### **Social Networking is Becoming Mobile: Foursquare and Skout**

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

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

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

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

In the future I don't believe that Foursquare's “check-in” game with badges will be enough to hold users interests but for now it's working well. I've always said that if Foursquare has a “second act” coming it

could be a really big company. In the long-run I believe that check-ins will be more seamless – something handled by infrastructure in the background. So I expect more and new games from Foursquare in the future. One awesome feature of today's Foursquare that often isn't talked about is the ability to graph your friends on a real-time map and see where everybody is. This is a killer feature for the 20 and 30 something crowds for sure. Me? When I go out I mostly prefer to eat in peace with my wife and friends without people knowing where we are – I guess we all get old ;-)

In the next post I will make some predictions about where social networking is going next. And only one hint—it isn't all dominated by Facebook. Stay tuned. If you can't wait you can get a sneak peak in the PowerPoint presentation below.

## **The Future**

I first talked about the history of social networking from 1985-2002 dominated by CompuServe, AOL & Yahoo! Then, I explored the current era which covers Web 2.0 (blogs, YouTube, MySpace, Facebook), Realtime (Twitter), and mobile (Foursquare). Is the game over? Have Facebook & Twitter won or is their another act? No prizes for guessing ... there's *always* a second (and third, and fourth, and fifth) act in technology. So where is social networking headed next? I make eight predictions below.

### **1. The Social Graph Will Become Portable**

Right now our social graph (whom we are connected to and their key information like email addresses) is mostly held captive by Facebook. There is growing pressure on Facebook to make this portable and they have made some progress on this front. Ultimately I don't believe users or society as a whole will accept a single company "locking in" our vital information.

Facebook will succumb to pressure and over time make this available to us to allow us more choice in being part of several social networks without having to spam all of our friends again. I know in 2010 this doesn't seem obvious to everybody but it's my judgment. Either they make our social graph portable or we'll find other networks to join. I predict this will come before the end of 2012.

### **2. We Will Form Around "True" Social Networks: Quora, HackerNews, Namesake, StockTwits**

Since 2006 I have been lamenting what I see as "the Facebook problem" – they are trying to lump me into one big social network. Nobody exists in one social network. I have the one with my friends where I want to talk about how wasted we were at the party last weekend that I don't want to share with my family network where I share pictures of the kids with my parents and siblings.

I don't want either of these mixed with the business social network in which I want to maintain the appearance that I'm "all business" and certainly don't want to see college pictures of me in Mexico floating around. I don't want to mix my "public network" with my "private networks." Facebook has jumbled these all together and then tried to bandage it by making groups available. I don't think this really solves the problem.

And young people aren't stupid – they certainly aren't as digitally naïve as their elders like to think. To get around all of this jumbling of social graphs they simply create multiple Facebook accounts under pseudonyms or "[nom du guerre](#)" for their real discussions and more pristine Facebook accounts for their real names. I wonder how many of Facebook's 500 million users are created for this purpose? I've confirmed this trend with several young people.

I believe that people already form topical social networks as evidenced in places like HackerNews or Quora. We are also seeing the growth of social networks around topics of interest like [StockTwits](#) for people interested in investing in the stock market. There are new networks forming to try and address the

needs of specific social networks such as [Namesake](#) that is in its experimental stage but sees a world in which people want to network outside of Facebook.

### **3. Privacy Issues Will Continue to Cause Problems: Diaspora**

Facebook made a deal with us that our social network was private. When they jealously watched the rise of Twitter they decided that it should be made more public, but that wasn't the bargain we made when we signed up in the first place. If I were Facebook I would have simply created two places where you could network, Facebook "private" and Facebook "open." The latter product could have competed directly with Twitter and could have had an asymmetric follow model.

Sure, we would have had to choose which followers to have in that separate timeline and they wouldn't have gotten all the synergies that they have by just lumping them together. But if they would have done it this way they never would have crossed the ethical lines that they did and we could all just love Facebook instead of our love-hate relationships. I'm still there daily to see pictures of my nieces & nephews – but I never connect more broadly with anybody in the business community. So 95% of my social networking time goes to Twitter.

I know most people aren't troubled by the loosening of their information – but I believe that's because most people don't understand it.

What I realized in working with so many startup technology firms is that even if you don't give permission to third-party apps to access your information much of it is available anyways as long as somebody you're connected to is more promiscuous with third-party apps. Also, all of those "Facebook Connect" buttons on websites are awesome for quickly logging in, but each gives those websites unprecedented access to your personal information.

I believe that privacy leaks will cause a longer-term backlash against misusing our information but in the short-term not enough people understand the consequences to be alarmed. [Diaspora](#) was created in direct response to the growing concerns about Facebook privacy and lock-in. Whether or not Diaspora will take off is anybody's guess. But a lot of people would love to see them or similar players emerge.

### **4. Social Networking Will Become Pervasive: Facebook Connect meets Pandora, NYTimes**

As our social graph becomes more portable I believe that social networking will become a feature in everything we do. You can already see it slipping into services like Pandora where my social graph instantly appears and my friends' musical tastes are displayed without my knowing this would happen.

On NY Times I'm getting recommended articles by friends and I didn't explicitly turn this feature on. This trend of social pervasiveness will continue.

### **5. Third-Party Tools Will Embed Social Features in Websites: Meebo**

One thing that is obvious to me is that while many websites want to have Facebook Connect log-ins to know more about you, they don't really know what to do with you once they have that information.

They're mostly now thinking about serving demographically targeted ads to you, but that's not very interesting. Third-party software companies will start to offer features to websites to actually drive social features. This will take a few years but players such as Meebo are already innovating in this category [though their toolbar](#).

### **6. Social Networking (like the web) Will Split Into Layers: SimpleGeo, PlacelQ**

One of the most interesting trends in the last few years has been watching the Internet split into layers.

At the bottom end of the stack is storage (S3) and processing (EC2). At the top end is the business logic

created by startups and established technology companies. I'm going to write a whole post on [BothSid.es](#) in the next few weeks on the layering of the Internet and the most important layer that will emerge in the next few years. We know that the layering of the PC era led to huge innovation at each layer in the stack and I expect the same to continue to emerge on the Internet. But for now suffice it to say that we're already seeing this happen in social networks.

One interesting layer is the "mapping layer" that is emerging in mobile social networks. If every startup had to figure out the locations of every business, what type of business they were and where they were located on a map we'd have very few startups. [SimpleGeo](#) is designed with the idea that startups can create new mobile products without having to each build their own mapping functionality. This is an awesome trend and will further lower the cost of startup development. I predict that SimpleGeo will do well in the mapping layer but I see more innovative companies emerging at the data layer.

And there are other companies racing to create horizontal platforms. One I saw recently was [PlacelQ](#). Their goal is to create a horizontal platform that allows marketers or developers to know a lot more about the geo-locations and not just the specific businesses / points-of-interest. They're capturing information about the demographics of map tiles, levels of LBS activity, what certain zones are known for (i.e. romantic spot, financial district) and want to make this available to others.

## **7. Social Chaos Will Create New Business Opportunities: Klout, Sprout Social, CoTweet, [awe.sm](#), (next gen) Buzzd**

The explosion of data is creating opportunities just in the management of the data in and of itself. Once we're uber-connected and getting information online from people we've only met online we need to know more about the "authority" of the people we're following. Enter [Klout](#), a service that tracks the influence of individuals in social networks. It can be imported into other products (e.g. StockTwits) where you really want to know more about the person giving you advice.

We know that Twitter is leading to customer service opportunities for businesses but the opposite is also true. If you don't manage what is said about you in social networks it could be detrimental. Products such as [Sprout Social](#) and [CoTweet](#) are emerging to help businesses better track and communicate with their customers and leads. Products like [awe.sm](#) (I'm an investor) will help you manage the efficacy of your social media marketing campaigns.

And one of the cooler new products that will emerge in 2011 is being created by [Nihal Mehta](#), who has pivoted from his previous company Buzzd, but I'm sworn to secrecy on what he's up to until he releases it publicly. I saw the product recently in New York and loved it. It will address the world of what happens when businesses and consumers are increasingly mobile & social.

## **8. Facebook Will Not be the Only Dominant Player**

I know that in 2010 it seems ridiculous to say anything other than "Facebook has won—the war is over" and I know that it feels that way right now. Facebook is so dominant it is astounding. In a complete return to where we all began with AOL—the world is "closed" again as Facebook has become this generation's walled garden. When you're on Facebook you're not on the Internet—you're on the InterNOT. It is an amazing service and I use it regularly myself (although much less than I use Twitter). But it makes me laugh to now see so many brands advertising their "fan pages" as they did their AOL Keywords back in the day. [Plus ça change](#) ...

Well, here's a quick history primer that may change your mind:

- In 1998 the Department of Justice launched an anti-trust case against Microsoft. People feared they were going to have a monopoly over the Internet due to "bundling" Internet Explorer with their

operating system. A bit laughable in 2010, just 12 years later. These days people would sooner fear Apple than Microsoft, proving that reality is stranger than fiction.

- In April of 2000 there were fears that the AOL / Time Warner merger would create a monopoly on the Internet. As you know, Time Warner eventually spun off AOL for peanuts. AOL is in the process of rebuilding itself and emulating a little-known LA-based startup called Demand Media. AOL seems to be doing great things to reinvent itself under the leadership of Tim Armstrong, but monopoly? Never.
- In May 2007 there were fears that Google was becoming a monopoly. It controlled two-thirds of all Internet searches in the US and as we all knew—search was inevitably going to be the portal to finding information on the Internet. Or was it? We now know that social networking is having a profound impact on how we discover and share content online.
- So . . . now it is November 2010 and Facebook has more than 500 million users. They have more page views than even Google. More than 10% of all time on the web is now Facebook. They have become a juggernaut in online advertising, pictures, video and online games. And now they want to revolutionize email. It is no doubt that the next decade [belongs to Facebook](#). But the coincidence is that 10 years out will be 2020 and when we look back from that date I'm certain that people will also find a Facebook monopoly a bit laughable.