

“What appears to be clear is that the worst is over”

● Signs of an ad recovery, page 12

MEDIA 4

Does it make sense to purchase Friendster?

OFF THE FENCE

Friendster, one of the world's first social networks, is looking for a buyer, with its strength in Southeast Asia as a key selling point. Is it worth the investment?

DIGITAL MARKETER



Jason Kuperman
VP, digital development, Omnicom

“Friendster has done a great job in Southeast Asia, and clearly was a pioneer in the social networking space for the region, and, for that matter, the world. It was the first social network I joined in 2003.

But the world has changed since then, and its dominance in the Philippines, Malaysia and Indonesia does not necessarily make it a slam-dunk acquisition, especially as the business model for social media sites is still a work in progress.

Around the world, indigenous and niche social media sites are gaining traction; sites that ultimately may have more value to advertisers as brands seek to connect more deeply with the right consumers as opposed to just a traditional reach-based display advertising approach. Previously I would have imagined that Friendster would have been the one doing the buying, picking up local Asian social networking sites and building a powerhouse network across the region. Maybe that is what a potential buyer/investor would enable.”

NO

ANALYST



John Goeres
Director, SE Asia, Deloitte Consulting

“Under the right circumstances, with a local focus and at a discounted price — yes. Southeast Asia has the highest concentrations of active users for Friendster. It has succeeded in markets such as the Philippines because it has localised and has a mobile handset application. These markets have the greatest potential for long-term success.

Most users are aged between 15 and 34, so there are two ways to monetise: with adspend and mobile data. In Southeast Asia, where there are 10 times as many mobile handsets as there are PCs, and a mobile base of 380 million subscribers, mobile is the name of the game.

Hypothetically, potential buyers could include Yahoo, News Corp, Globe Telecom, Telkom Group, ABS-CBN Broadcasting Corp, or consortium plays such as the Bridge Mobile Alliance or Axiata Group. Keeping the application local and interesting is critical.

For these prospects, geographic leverage together with the cross-platform play is where the valuation lies.”

YES

ONLINE AD SELLER



Matt Sutton
Managing director, Aktiv Digital

“The top-line viewpoint has to be that Friendster does represent a sellable proposition for agencies, so is a valuable commodity overall.

Its largest penetration is in Asia, the world's largest digital playing field. It actually has very high penetration in large markets with currently low digital spends — namely, the Philippines and Indonesia. This represents a short-term challenge and a long-term opportunity.

Friendster is a big brand with huge reach and in this market advertisers tend to cling on to those offline hooks, attributing advertising with buying profile — the ‘if it's famous I will be too’ approach.

But that's not a long-term defensible proposition, and things get a little more complicated when you look at it from a micro level.

Facebook's huge number of column inches has made it the kid on the street with the hippest trainers. It will find it easier to attract attention. All the big social network players can swallow huge budgets in one booking, so they need to be able to justify the spend they receive against each other. Friendster can co-exist here but it will need to differentiate its audience. The question is, can it do this?”

YES

DIGITAL CONSULTANT



Gregory Birge
MD, F5 Digital Consulting

“All social networking sites seem to struggle to find the right business model. That Friendster is looking for more investors does not come as a surprise. It is most probably facing the same financial struggles. Besides, Friendster is suffering from a technological and consumer positioning point of view. Unless these are put right, Friendster may not be worth buying.”

First, the core success of Friendster was based on ‘friends’, music and surfing. It needs to go back to this and ensure this youthful spirit can be captured and maintained. Second, it needs to fix the technical backbone of Friendster's engine. Servers are frequently overloaded, and the number of uploaded pictures and friends is limited. Spam is a big issue too. Third, fix the basic web 2.0 tool kit. Easily customizable pages, apps and open-source should be injected. Fourth, its marketing spend should be focused on retaining its audience instead of trying to capture new customers. This will be more profitable long-term investment.”

NO

Chinese cinema-goers are a market worth targeting

VITAL STATISTICS

Cinema advertising offers brands a way to target young, affluent Chinese consumers

Cinemas in China continue to attract younger audiences with a higher household income and education level than average. Advertising opportunities exist within cinemas. When compared with other major media, advertising acceptance for movies ranks the highest. This is especially the case for younger audiences

The latest CSM data shows that most movie-goers are aged from 15 to 34, with a high number of them earning more than 8,000 yuan (US\$1,100) a month, and many have a bachelors degree or higher.

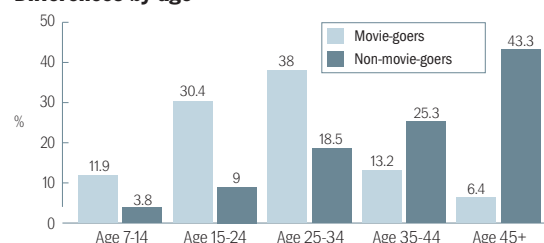
The research shows that younger audiences spend more time inside cinemas than elderly audiences. Nearly 40 per cent of those aged from 15 to 34 stay in the cinema for

five to 15 minutes; 26 per cent of those aged from 25 to 34, and 28 per cent of those aged from 35 to 44 stay in the cinema for longer than 15 minutes. This indicates a strong opportunity for cinema advertising to reach the young, modern and high-end consumer.

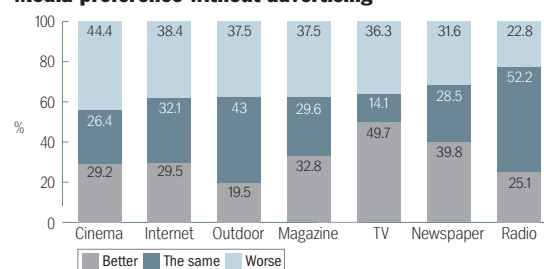
It is interesting to note that 44 per cent of consumers thought that the movie experience would be worse if there was no advertising. Only about 36 per cent had the same to say for TV and 23 per cent for radio. This trend is much stronger in younger audiences (those under 45) who have a higher disposable income than elderly audiences.

Jessica Liu, manager, business development, CSM Research

Differences by age



Media preference without advertising



Movie-goers' income levels

33 per cent of movie-goers earn in excess of Rmb 8,000 a month, compared with 24 per cent of non-movie-goers.

28 per cent of movie-goers earn between Rmb 5,000 and Rmb 7,999 a month, compared with 24 per cent of non-movie-goers.

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CSM Media Research

Source: CSM