



BSAC SOCIAL NETWORKING SEMINAR

Thursday 24 June 2010

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Below is a summary of the presentations given on the day.

Conference Chair's Introduction

Ajay Chowdhury, Chief Executive Officer, EnQii

After welcoming guests to the Seminar, The Chair asked attendees to raise their hand if they belonged to a social network and found that the overwhelming majority did, many people belonging to more than one. Social media was changing the way people communicated and the way brands reached consumers. The Seminar would address what social media meant for privacy, how this changed social norms, and how money could be made.

He thanked Reed Smith for their generous sponsorship without which the Seminar would not be possible.

Trends Overview

Paul Lee, Director, Research, Technology, Media & Telecommunications, Deloitte

Paul said that a social network was a social structure made up of individuals or organisations called 'nodes' which were connected by one or more specific types of interdependency. Social networks were based on the way people interacted, for example, groups based upon common interest. Social media networks like Twitter and YouTube relied on amateur people as opposed to professionals creating content. However, professionals also deliberately contributed to that content. The first social networks had launched as long ago as 1996. During the period 1996-2006, there had been a lot of creativity in terms of new networks launching, many no longer existed or had merged. In recent years this process had accelerated with more and more new networks launching. He expected this trend to continue. They were at the cusp of what it was possible to do with web based technology.

In 2008, when Facebook was already growing rapidly but was an estimated three years away from making money, Mark Zuckerberg, CEO, Facebook had said that they were experimenting with business models and were confident that they would find an optimum model but that that was not their primary focus. It was a sign of the economic landscape at the time and the renewed tech boom that there was little pressure on Facebook to make money. Social recommendation was a prime driver of monetisation of social networks. Zuckerberg had recently appeared at the Cannes Lions International Advertising Festival and had spoken of an ambition for a billion users. It had also been indicated that revenues for Facebook in 2010 should be about a billion dollars. A lot had changed in the last few years in terms of how Facebook was perceived and how it projected itself. This change could be seen across social media and social networks in general. Deloitte undertook annual research using online polling to find out about recommendation and how consumers decided what they wanted. In countries including the UK, US, Brazil and Japan, consumers were much more likely to learn of new products for the first time online in 2009 than in 2008. The share of consumers who had purchased a product based on an online recommendation had held steady from 2008 in all countries covered by the research. Recommendations from people who one knew or who one saw as similar in taste were very powerful. This did not vary much with the age of the consumer. It had been suggested that social media meant the demise of traditional professionally created media. BARB data showed that traditional television in the UK and in other countries had not collapsed as a result of social media. One could argue that social media had promoted traditionally produced television and film. The proliferation of screens tended to be complimentary rather than cannibalistic. YouTube's strap line was 'Broadcast yourself'. When YouTube had launched many predicted that this was the end of digital TV. Now, YouTube's homepage was dominated by professionally produced content.

Paul gave some current data on Facebook, Twitter and LinkedIn. The size of the community on Facebook was impressive with 540 million unique users. About 1000 page views per unique user per month were generated. There were some newspapers which generated only four page views per unique user per month. The Twitter model was quite different from Facebook as very few unique users on Twitter actually created content, most simply consumed it. The ratio was at least one to 100 in terms of content creators to content readers. LinkedIn's model was based on a more professional class. The online advert cost per thousand views (CPM) for LinkedIn was \$75. This was impressive as some sites generated as little as ten cents. CPM would be vital to the economics of social media and social networks. There was a big gap between the top one or two social networks and the rest. Facebook had 120 million unique users in the US. MySpace was the only other network in the same league, although their number of users was falling rapidly.

One other big development in social media was around social games. The major players were Zynga, Playfish and Playdom. Zynga was the biggest in terms of users. It was valued at somewhere between \$240m and \$600m for 2010 which was quite a wide range. Paul had seen valuations for Facebook varying from \$3bn to \$25bn over the last year. However, playing offline (competing directly against the game) was still the most common method of playing videogames in countries including the US and UK. Gamers preferred firstly to play against the computer, then to play against friends in the same room, and lastly to play against other players online. This was true also in Japan and South Korea, countries with very fast networks, so the reason for this was not necessarily about broadband speeds. In Japan you could get broadband speeds about 50 times greater than in the UK to your home.

However, Japan's broadband penetration was lower than in the UK. Even though speeds in the UK were lower, the UK made more use of them and a lot of websites did not require 100MB per second. Brazil and other developing countries would probably use wireless technology to increase the availability of broadband and so speed would probably be slower than in Japan and Korea etc. It was possible to do a lot with 1 or 2MB per second.

Social media usage in BRIC countries lagged behind use in the US and the rest of the world. Facebook was the number one social network in most countries, apart from Russia, China and India. In terms of the potential for social networking, in Brazil for example, among those who were connected, demand was very high. This was partly driven by geography as one of the best ways to keep in touch, given the widespread dispersal of the population, was via social networks. Whether or not established Western brands would dominate in China, Russia and India was difficult to determine because that would be driven partly by local regulation and rules on ownership.

Paul gave some examples of how social media was used in conjunction with television. An Australian programme had incorporated video feeds from viewers into the programme. A similar thing had been done with ITN News. The results of this were that there tended to be a minority of content contributing to a programme. Another approach was blending social media and television on the same screen. There were a lot more internet enabled TVs which had been designed specifically to enable dual screen, simultaneous viewing of social media and TV. By far the most prevalent interaction of social media and TV was the consumer watching TV and using social media at the same time, via a laptop or phone. There were a lot of websites being created by TV producers or broadcasters to illicit that dual productivity. For example, contributing to a TV programme via social media by ranking the judges, the contestants or playing a game as with the programme Million Pound Drop. Social media was used as a form of marketing to boost broadcasting numbers.

In terms of the future of social media, one of the biggest challenges would be dealing with privacy issues. Facebook's privacy settings had received a lot of negative press coverage. They had been accused by commentators of being immoral and misleading the public. However, there was a disparity between that and the way Facebook was viewed by its users. As a reaction to changes to privacy controls, a campaign had been set up to persuade users of Facebook to quit en masse on a particular day. Only 5000 people signed up, which represented a hundredth of 1% of Facebook's entire user base. One future development would be mobile. Geo-location technologies and triangulation within mobile phones would become increasingly prevalent. Speech recognition was becoming easier so users could recite their updates as opposed to writing them. Facial recognition software was improving. Language translation was becoming more powerful and accurate, so the barrier to making content accessible to anyone was being lowered. Wi-Fi hotspots would make social media easier to tap into on the move. There was a lot of potential to be exploited in terms of connecting people. India had 1.3 billion people of which only 7.5 million were broadband subscribers.

Paul concluded by addressing the fear that social media would replace professional media as a key pivot of peoples social interaction. Deloitte had undertaken a survey in seven countries asking people what type of media drove their conversations. The top answer was TV, followed by music, movies, newspapers and then social networking.

Privacy, Confidentiality & Data Protection



Mark Devereux, Senior Partner, Olswang in conversation with Gregor Pryor, Partner, Reed Smith

Mark said that privacy issues for social networking had been an increasingly hot topic in the press. As social media had exploded, a number of concerns had been amplified. The privacy settings on Facebook had been one of the most controversial issues. Until the recent revision, the privacy policy of Facebook had 50 different settings, 170 options and at 5,830 words, was longer than the US Constitution. Another hot topic had been the use of information for targeted advertising. Was it a necessary evil in order to monetise traffic on social networks? There were issues about closing accounts when a user wanted to leave a network or when someone had died, what happened to their information, as well as defamation issues when false accounts or blogs were created. Other risks included phishing attacks, identity fraud, online grooming of children, and bullying.

Mark introduced Gregor Pryor a Partner at Reed Smith and one of the authors of the Reed Smith Social Media White Paper distributed at the Seminar. Gregor would provide an overview of the legal and regulatory framework which governed social networking.

Gregor said that there had been a considerable backlash against Facebook's privacy settings. There was a group on Facebook called 'Millions against Facebook's privacy policies and layout redesign' which had 2.5m members. Even on Facebook itself, there was a real drive towards reforming and making clear the way that people's personal information was handled on the network. There was an app available specifically for tightening ones privacy settings on Facebook so that only friends could see information. The reason that Facebook had been singled out in this debate was that they were the current leading network. They had invested a lot of money in affording users options and ways to control their privacy but had made the process too complex.

In the US, Foursquare was one of the hot social networking properties currently. It used geo-location technology in phones to allow users friends to see where they were. There was also a gaming element to the site. Users could become the mayor of a particular location, for example a restaurant. This would allow advertisers to reward frequent customers. However, it also had implications for privacy as users navigated Foursquare. Gregor had met representatives from Foursquare recently who said that the biggest challenge for the company as it continued to grow was privacy.

Concerning the value of social networks, the news that Google had prevailed in their lawsuit with Viacom had implications for the value of YouTube which had been bought by Google in 2005 for \$1.5bn. Microsoft had bought a 5% stake in Facebook for \$500m, which had been controversial at the time. AOL had recently announced that they had sold Bebo. They had paid \$850m for the business and had sold it for a lot less. When assessing the future value of Facebook, Gregor thought that the fact that half of Facebook's registered users visited the site every day was significant.

Gregor moved on to discuss the regulation of social networks. There were various types of laws that regulated social media. There had recently been a lot of interest in reforming data protection laws in Europe. Behavioural advertising had been especially controversial. Electronic marketing laws regulated the way that users had to opt in or opt out to receive certain communications. That was particularly relevant when considering applications on Facebook and whether users had to opt in or opt out of applications to share their information. There had been an increasing amount of common law privacy principles cases relating to Facebook and social networking. Social networks had to comply with laws that protected children, as well as antiterrorism laws. Aside from the law, social networks were regulated by contract. All users of Facebook had entered into a contract through end user licence agreements and terms of use which were intended to regulate the way that users behave on Facebook as well as allowing Facebook to punish users who did not comply. Guidance on the privacy policies of social networks was available across Europe. The ICO had published a series of guidance notes for children on how they could stay safe on social networks. Should social networks be entitled to regulate themselves? Some networks had come together to discuss safety measures and the way that they could regulate users privacy. The best example of this was the IAB behavioural advertising laws. The most powerful form of regulation, however, was brought by the community itself. Campaigns started by social network users had changed the way that social networks operated. Network operators listened to their own customers. In terms of European regulation, in 2009 a set of safer social networking principles was established with the help of 20 social networks. The social networks agreed to abide by the principles in order to help make users interactions much easier. In May 2010, the Article 29 Working Party on Data Protection sent an open letter to Facebook, criticising Facebook for the way that it had changed its default privacy settings. They argued that privacy settings granted too much access by applications to users' information. The first Safer Internet Day had been launched by the European Commission which published an independent assessment of how the principles were being implemented. The conclusion was that there was a broad disparity across the networks and the way that they were implementing the principles. In the US, the Federal Trade Commission had gone further than any equivalent body in Europe by announcing that they would be creating an internet privacy framework. A number of senators had lobbied heavily for reform of privacy principles. Most recently, the Electronic Frontier Foundation (EFF) published an open letter to Mark Zuckerberg, asking him to fix the 'app gap' by empowering users to decide which applications could access their information, to provide users with control over every piece of information they shared via Facebook, and to protect users by using a secure connection for all interactions by default.

Gregor concluded by commenting that ultimately, social media would regulate itself. This would happen as a result of the power that users of networks had in the way they behaved and campaigned. He thought that although regulation would go some way to addressing some of the issues, particularly sensitive issues like child safety, if social networks were not meeting the needs of consumers, then their businesses would struggle.

Mark thanked Gregor and asked him to elaborate on the self regulation model bearing in the mind the difference between the US and European perspectives on privacy.

Gregor replied that in the US, the impetus for senators and those lobbying for new laws to deal with privacy issues came from press coverage and the actions of social networking users. In the US, a pressure point had been reached when the networks saw that they had to

take action otherwise the lawmakers would. In Europe, tensions were developing. The letter from the Article 29 Working Party to Facebook was an indicator of the inclination of lawmakers to act if networks didn't take public opinion into account.

Mark said that the All Party Communications Group had published a paper in October 2009 entitled 'Can We Keep Our Hands Off the Net'. One of the recommendations was that because of the piecemeal nature of regulation of social sites there ought to be a cleanup of the legislative framework and a new privacy act passed to clarify the issues. He asked Gregor if he thought that would be a good idea.

Gregor said that second guessing technology was always problematic as the law would always lag behind technology. There were developments in social networking that an umbrella privacy law would find it difficult to deal with, like using Foursquare on a satnav system in a car, for example. There were many possibilities that would have to be covered.

Mark asked Gregor if he thought too much was being made of the privacy issues surrounding social networks. In previous ages when people lived in very small communities, everyone knew everything about everyone else. Since then the concept of privacy had been created and barriers erected to protect personal data. Were they trying to protect something that no longer existed and which the youth of today had no interest in?

Gregor agreed that younger people were more comfortable in giving up their personal information in exchange for a free service for example. They were enthusiastic about sharing parts of their lives through social media.

Q&A

The Earl of Erroll said that he was Secretary of the All Party Communications Group. The problem with failing to protect privacy in the modern age was that if governments had access to certain data, it enabled them to draw inappropriate conclusions about their citizens and to punish them. Similarly if advertisers made the wrong conclusion about someone they would be bombarded with things they didn't want. It was important to think about how to stop the wrong people gaining access to this information. It would not be possible to stop people from sharing data, people would share location data as it meant that it was easier for them to see where their friends were etc. It would be wrong to stop people from using these services through fear of what might become of the information they were sharing. Therefore, regulation should come in at the government level to stop government agencies and departments from gaining access to information.

Mark Devereux asked Gregor if he had any views on the role of education in dealing with these issues, in much the same way education had been a tool in dealing with piracy.

Gregor said that he thought there was a significant role for education and that that process had already begun with the ICO issuing guidance for children. Bebo had invested heavily in working with schools and education authorities to educate children about the way that they interacted online. It was an ongoing process.

Mark asked Gregor whether he thought the opt in or opt out method was better concerning behavioural advertising, and whether it would be appearing on the decision making agenda.

Gregor said that users should be given the ability to opt in. There would be reform in the law relating to cookies and the way they were used. It was not currently obvious to consumers that they were being targeted for behavioural advertising in some cases, for example, applications on Facebook and the way corporations engaged with social networks to sell products. This was one issue which the FTC had seized upon in the US, the way that Facebook shared user information with third party companies.

Mark asked Gregor whether he thought that if opt in was used, behavioural advertising would be strangled at birth?

Gregor said that advertisers would obviously prefer an opt out rather than opt in basis. They thought that if, at the second when they had the opportunity to deliver a commercial message, the user had to agree to it, most people would say no. However, people would not continue to accept that their information was being shared via apps and they were not being properly informed about it.

An audience member commented that while younger people were more lax about privacy issues, when they got older and applied for jobs they could run into problems. There had already been some press reports about employers checking the Facebook profiles of applicants. There did not seem to be an obvious way of legislating against that. Would network users demand that such activities be stopped?

Gregor said that this was not a social networking issue in particular but more an issue about the way the internet worked. What people didn't realise was that when they put information on the internet, it could stay there forever. That was not a new phenomenon. Social media had given people tools to share information easily and a framework in which they could use that information to interact.

Chris Dawes, DCMS said that the other side to privacy protection was the problem of people pretending to be someone they were not. Was it acceptable to leave it up to companies to determine the identity of their users? There was also no reliable age verification system. There were many people on Facebook who were under the permitted age to join.

Gregor said that such concerns brought up the issue of identity cards. Verifying each individual was an onerous burden for a social network. One of the biggest problems with interacting over the internet was that it was not possible to identify who someone was even through their IP address. Would technology have the answer to that? Some technology developers said there were ways of making sure everyone had an individual identifier online. There was a broader political issue about whether that was culturally acceptable.

The Earl of Erroll said that there had been controversy over who owned the copyright of images and data posted on social networks. Facebook and YouTube had argued that the copyright belonged to them. Did Gregor think that a law which said that copyright automatically belonged to the person who posted the content would be useful?

Gregor said that there had been a sea change amongst operators of social networks over the last ten years. Initially, the commercial view had been that was anything that was uploaded should belong to them as it was valuable for them. That had changed. One of the problems was that people often uploaded things they didn't own. The decision on the Google case had been groundbreaking in that regard as it allowed a platform protection against copyright lawsuits relating to content that users upload. There were a number of copyright reform initiatives which had been successful. Creative Commons had been viewed with some suspicion when the idea had first emerged, and was now used by the BBC and Channel 4. There was a drive towards copyright changes.

Keynote: Christian Hernandez, Head of International Business Development, Facebook



Christian had joined Facebook eight months previously. His job was to engage with media partners, gaming companies, and start ups to build an ecosystem of partners, and to help make Facebook into a local experience. An Italian user, for example, would interact with Facebook differently from an English user. Facebook was, by definition, a platform. Mark Zuckerberg's vision was for Facebook to be the world's largest identity and sharing platform; they aimed to achieve a billion users. The centre of Facebook's mission was people and genuine identity. Facebook had always validated the identity of its users so that only true identities were represented. The validation process had become increasingly sophisticated as Facebook grew. The majority of profiles currently on the site represented real people. They tested signals such as number of friends, interaction with friends, posts and comments back to posts to make sure that people were using their true identity, interacting with their true friends and making true statements.

Facebook had grown very quickly over the previous two years. They now had over 400 million users worldwide, with 26 million in the UK. Facebook was a vibrant and engaged ecosystem of users and the growth has been both organic and engineered by them. They knew the value of finding friends on Facebook. They tried to make sure that users could easily share and connect with things that mattered to them e.g. brands, people, movies. 50% of users came back every day. That was a reach that surpassed television, as far as its scale, and online, as far as its depth of targeting and data on how users interacted with advertising. Brands such as Pepsi were shifting large portions of their budget from TV to social networks; Pepsi had stated that they planned to move the whole of their budget for the Super Bowl to social media. Users spent 500 billion minutes per month on Facebook. A large percentage of that time was spent on gaming. 200 million monthly active users played on the site. There was an ecosystem of companies being built on top of Facebook, Zynga and Playfish were the two biggest examples. Users shared 25 billion pieces of content, including comments, articles, and videos, per month. They were now trying to create an easier way for those objects to be shared, and to create a social persona around the object flagging up friends' emotional attachments, for example. Most Facebook users were between 25 and 34 years old and the fastest growing demographic was 65 plus. Worldwide, Facebook users were 51% female. In the UK it was slightly higher than that.

In terms of brands, Facebook had developed a system that allowed users to state their attachment to things that mattered to them, for example, a football team, movie or TV show. This was done through 'pages' which were the formal presence of brands on Facebook. Facebook ensured that pages were true representations of brands by taking fake representations down and allowing brands to display their IP on the pages. Users used the 'like' button to state their emotional attachment to the object and it then become part of their profile. This allowed for marketing to a very specific demographic and an insight into what content that demographic had liked before.

A social anthropologist called Douglas Rushkoff said that 'people don't talk in order to share stuff. They share stuff in order to have something to talk about'. This reflected the behaviour of people on Facebook. They aimed to create dedicated spaces for sharing to take place in unison, for example, the formal England football team page. As people walked out of a movie and rated it, there should be a home where other potential movie-goers could find that information. The Royal Opera House had 30,000 followers on their page which made it a community hub for people who cared about opera. The conversations that happened around brands could be targeted and driven. For example, Iron Man had one of the largest pages on Facebook for a movie, with 1.5m followers. Iron Man 2 had 0.5m million followers. The marketing team behind Iron Man kept the followers from the first movie engaged by posting previews of the second movie exclusively on the new page so that people would migrate. They also engineered conversations about the new movie, for example, giving hints about a clip after the credits which movie-goers might not notice otherwise.

Thinking of Facebook as a traditional advertising medium was incorrect. Facebook gave visibility to brands but the value was in the follow on and subsequent engagement with the brand. The Iron Man marketer now had 0.5m users that they could have a conversation with forever. Comments on brand pages were viewed by users' friends and acted as strong indicators of their emotional attachment to the brand. Facebook was working on a way for users to find out what the highest ranking TV show or movie was in terms of what their friends liked. Those recommendations happened both on and off of Facebook, for example, LOVEFiLM which worked on recommendations now had a Facebook portal.

Facebook helped deliver a permanent conversation with a brand rather than just a one-off event such as a movie launch. Brands created a formal presence through a page and brought users to the page through the use of fan ads, which was the primary way of generating fans who could then be messaged. Premium content was launched on the page such as HD previews of the movie. Then the launch date of the movie was promoted so that users could buy tickets or themed events were created to generate interest and engagement. This allowed users to give feedback through polling ads which raised awareness by asking a question of users about the movie. As a user answered a poll that information would appear to all their friends which drew in extra users. When it came to the day or weekend of release, the brand could employ a '24 hour reach block' which allowed them to target anybody within a certain demographic in a specific country, for example, all 35-45 males in England could be targeted by an ad in a 24 hour period when they went on Facebook. This was where the reach and depth of Facebook became very powerful. After the launch, a brand was able to keep the community alive, leading users to DVD purchase or creating interest in the sequel.

Christian gave some examples of recent successful marketing campaigns via Facebook. For the global launch, Avatar streamed HD content on YouTube linked via Facebook Connect, allowing people to recommend it to their friends. For the Where The Wild Things Are launch, users were able to insert a picture of themselves onto the campaign poster and post it on their profile. After the cinema launch of The Hangover, the Facebook page was evolved into a home entertainment message to drive DVD sales using some new content. A Christmas Carol created a virtual event emulating the Christmas light ceremony on Oxford Street, where users came to the site and watched the lights turn on. This notion of virtual events that had a strong emotional impact created a good response from users.

It was possible to track the level of engagement and conversation around a page for different demographics. For example, they had found that the majority of users that followed the page of one UK newspaper and shared content from its website on Facebook were in the US, not the UK. They could break down users into age groups, by city, gender and engagement level over time based on each post on the page. In the case of the newspaper, they were able to track every link from the external website that had been posted onto Facebook. Facebook offered a space to engage with particular communities by creating hubs and driving the community back to brand websites.

In terms of the revenues derived by Facebook through advertising, on the Warner Brothers page for example, there was an ad unit on the homepage allowing the user to watch a video, as well as a general targeted advertising product which would appear to the chosen demographic throughout their browsing on Facebook. On the site, advertising was algorithmically driven and not linked to the content of pages. For example, when a user played a Playfish game, there could be an advert next to it for a different game. Although Google had a higher click through rate for targeted ads than Facebook, every time a user clicked through on an ad on Facebook, and became a fan of a product for example, their friends would see that and on average four of them would also click through. In terms of revenues for advertisers, some had launched e-commerce sites through Facebook. Best Buy allowed users to find products, click on them and go off the site to complete purchase. Virtual goods were really taking off in social gaming but could expand to other categories as well. Facebook offered an opportunity for subscription businesses to acquire new users. Telecoms companies had begun to take advantage of that opportunity. Vodafone had run a campaign where they sent users a free sim for prepaid. The cost to Vodafone was negligible but to turn it on, the user had to turn on the £25 minimum. One area that had not yet been explored sufficiently was advertising magazines on Facebook. Consumer packaged goods were beginning to exploit the opportunity to acquire users through the site, especially Starbucks, which had a very large following. Members of the community for Starbucks received a coupon for a free brownie or a buy one, get one free coffee. This kept engagement high. Brands measured the success of their Facebook campaigns using different metrics. Movie studios measured views of the preview. Car manufacturers measured how many brochures they shipped for their cars. Recently, brands had been exploiting their relevancy at certain times, for example, the political parties during the election, or the World Cup teams during the competition.

25% of users now accessed Facebook via mobile. They saw mobile as a growth and engagement vehicle, for example someone checking and updating Facebook on their

Blackberry would be more engaged than a regular user. Brand interaction through mobile devices was also blossoming. They had just launched a Wimbledon page where users could update their status about Wimbledon through SMS which they would also display on big screens, and users could receive updates on the progress of the tournament.

Keynote: Kristian Segerstrale, Vice President & General Manager, Playfish

Kristian said that he had spent six years building a mobile games company called Glu Mobile which was now the third largest mobile games company in the world. He left to found Playfish, one of the largest social gaming companies. They had been bought by Electronic Arts six months previously for about \$400m. In the past two and a half years, Playfish had reached over 200 million unique users, largely through Facebook. Playfish had produced 14 games so far. They created games for people to play together which were based on the enjoyment of sharing an experience with friends which involved competition, cooperation and communication. That was a more appealing form of entertainment than sitting alone in front of a TV. They were trying to bring the computer games industry back to why people played games in the first place, to interact with each other. Playfish was on many different platforms, although Facebook was by far the dominant platform for social gaming. Playfish currently reached about 60 million monthly players, about ten million people in any given day.

The computer games world was changing rapidly and fundamentally, much like the rest of media. Computer games were moving from a physical standalone product based business which was paid for up front, to a digital service based business that was consumed socially between friends and paid for in an ongoing fashion. Playfish did not charge anything upfront for their games but allowed users to purchase virtual goods whilst playing. Games were currently bigger than music and movies in most countries. Games were a \$40-50bn industry. Most people interpreted the success of games as due to the rapid growth that happened around the launch of PlayStation 1, 2 and 3 and the X-Box 360 and various other platforms. Kristian believed that the games industry had evolved in a way that was more akin to how the internet had evolved. Games had moved from an industry with high access barriers to consumers where they had to buy an expensive console, expensive games and spend time learning how to use the controller and play the game. Gradually, through evolutions like the Nintendo Wii, mobile gaming and free to play online social games these barriers had been eroded. Access barriers to gaming were now far lower in terms of price, learning what games were about, and the reasons for playing. Games were now more social, more immediate, and more real. They were easy to pick up without paying anything just because friends were playing them.

Playfish reached more unique users than all the latest generation consoles put together. On Facebook alone there were over 200 million monthly active gamers, which was more than all the game platforms in the world. If you took into account social networks in different countries like Japan and China, there were around a billion users of social games in any given month. The gaming industry had increased its amount of monthly active players by 20 times through social networks. As access barriers were lowered, audiences went up. The same thing had happened with the internet which had gone from 16m to 1.8bn users in 15 years, largely through changes in price, accessibility and the proliferation of great content.

Online video was a good example. Monthly unique usage had gone from nothing to over 150m in the US alone, largely because of the launch of YouTube. Before YouTube it had been very difficult to view online video. It had lowered the barriers to access. The power of social platforms in engaging with large audiences was central to the success of social games; it allowed them to generate an immediate experience which was sharable with friends and appealed to a far bigger audience.

Facebook had radically altered how games were created; perhaps the biggest single driver of that was the acceleration of generations. FIFA, one of the largest game franchises in the world, had had perhaps 21 generations in its 17 years in terms of products created, making last year's product better and more appealing to more people creating a better entertainment franchise. Pet Society, Playfish's biggest title with over 20 million monthly active players had undergone over 100 generations in the past 1.5 years because they had access to immediate gameplay data. It was a service not a product. They were able to continually make it better and more interesting, driving usage in a specific way. This was a fundamentally different way of approaching media. The other change in the way that games were made was the rise of quantitative analysis. In the past, the games industry had invested a lot of money into making and then marketing a title, which would then be sold to the user for £40-50. After that the game manufacturer would have no further contact with the user. The skill set had been based around making and marketing the game. Now a new skill set was emerging borne out in the social gaming market. It was now important to understand data. They collected over a billion data points of gameplay every day so they needed people who were able to use that data to understand how the relationships between different players affected how the game was experienced and use that to evolve the game. Having access to such data fundamentally changed how games were made and how games were managed over time. Kristian thought that this would be significant for other forms of media also.

The rapid generations of games on the marketplace had led to a hyper competitive environment. The low barriers to entry meant that it was possible for companies to take what other companies had created, improve on it slightly and then put it in competition with the original product. It was not possible to protect your copyright in this environment in such a way as to prohibit anyone from doing anything similar. The key was to create larger more engaged audiences for your game. In a market which was about services rather than products, with rapid iteration based on data and on competitor's data, every feature that was launched would be reacted to. This was a very different process compared to a three year budget for making a game.

The price multiplied by quantity model had always dominated the industry, and most media, but increasingly, the lifetime value approach had been gaining momentum. In social gaming it was not about how much money games sold for upfront, but how much the user was engaged and how to create opportunities for them to spend money in a way which was meaningful to them and hence, how much that user was worth. Playfish catered for users who had a total spending budget of £1 for a particular game and offered them opportunities where they would be happy to spend their money, and similarly, if a user had a budget of £2000, they aimed to offer them a way of spending that money that was meaningful, for example, offering exclusive digital objects which no one else in the game would have. This allowed them to think of the user as an individual. Every product that EA was launching

beyond 2010 would contain a form of micro transaction. This was all part of the evolution that the computer games industry was undergoing moving from selling boxes in stores to trying to engage an audience, and to take them through an entertainment experience that could involve buying the t-shirt, watching the film, etc. Platforms like Facebook gave games companies a sense of who their users were which helped to discover what they valued. There was a 'pyramid' of preferences among social network users, with some users highly engaged and others lightly so.

Kristian went on to discuss future success factors in the games industry. The quality of social games was evolving very quickly. Consumers were increasingly connected and they trusted peer recommendations above marketing so products had to be top quality. In a multi-platform world it was crucial that games had multi-platform capability. Franchises would become increasingly important. It was a common misconception that brands were not important in social gaming and that other forms of computer games would die out. The top grossing app for iPhone in 2009 was the Sims 3, probably EA's biggest casual franchise. Eight out of the top ten apps in December 2009 were games, of which seven were big franchises. As all other factors became equal, recognisable brands enjoyed an advantage. Kristian had seen this through the various iterations of mobile platforms and now on Facebook. Lastly, platform expertise was important. Many of the lessons that Playfish was learning in social games were around rapid, data driven iteration and understanding virality and engagement, which would be broadly applicable across all platforms which worked via digital distribution, connectivity and access to social networks. Given the future success factors, Kristian commented on likely industry trends for the future. There would be a significant amount of recognisable brands on social networks. He expected half of the top 10 on Facebook in 2 years time to be recognisable. There would be a considerable amount of consolidation of social gaming markets. The social gaming market today was still completely international. However, individual markets in each country would begin to support local games. The word 'social games' would no longer be in use in 5 years time. All games regardless of platform would be connected giving each a social element. Finally, there would be a lot more innovation on the platform itself. They had just discovered a way to reach hundreds of millions of new players at a very low cost and they had hardly scraped the surface of how to address the needs across the pyramid of consumers.

Kristian concluded by noting that the various transitions which the games industry had gone through would apply to the media industry more broadly. Traditionally, successful games companies had grown to large proportions in order to fit their ecosystem. They had grown by encompassing their competitors and securing retail advantages and franchises. Now, an entirely different skill set was required in terms of engaging a user base, becoming multi-platform, and catering to consumers who were willing to pay anything from \$1 to \$100. Applying those lessons to other forms of media suggested that there was too much debate about restricting what consumers could do, for example through DRMs and the Digital Economy Act. Instead, industry should strive to create an engaged user experience. Consumers would engage around entertainment experiences that they valued. By using Facebook and other platforms, brands could create the opportunity for consumers to engage with them and to pay for some aspect of being part of that community, for example, gaining exclusive access to something. There were 2bn people on the internet and it cost virtually nothing to access them via platforms like Facebook. The marginal cost for Playfish to serve

a game to a user in a developing country was near zero. If there was a potential business model there, the business would grow. It was an interesting time full of opportunities.

Panel Session: Revenues

Kristian Segerstrale, Vice President & General Manager, Playfish

Kristian explained that Facebook offered a new way of acquiring users for games companies, as it brought games directly to users instead of requiring them to identify themselves as gamers and seek out the games they wanted. The platform also made it possible for games companies to access their users' real world relationships to create more meaningful game play. They could utilise the competitive nature of people's friendships to make popular games, for example, Playfish's first ever game Who Has the Biggest Brain? reached 20 million users and the average player played 25 times as they wanted to get a better result than their friends. Although game franchises would become increasingly important, platforms like Facebook would still offer additional value in making those games accessible. In terms of revenues, they wanted to reach ubiquity and then to try and start making money. With the brain training game, their primary aim had been to engage a large audience which they had done. Playfish had become profitable very early on. They were now concentrating on micro transactions. The core gameplay was all free and they tried to give the user reasons to spend money. Some users would pay a small sum to advance themselves by a few days of play instantly, others would pay more for a digital product that no one else in the game had. The percentage of people who were prepared to pay differed depending on which game and which country they came from. Typically the percentage of people who chose to pay was in single digits. However, that was largely a question of immaturity of the industry and payment methods. Users still needed to use their credit card every time they paid and that was a huge barrier. However, the industry was still profitable despite some bad conversion rates. For Playfish, advertising was less important than direct transaction, however, there were some interesting models. On Valentine's Day that year, they had transacted over four million digital flowers in one game. One way of getting access to the coins in the game that would buy the digital flowers was to buy real flowers for friends. So that was an affiliate lead generation part of the business. Such activities were relatively small for them but there were some interesting creative opportunities to use people's engagement and give them value back, and then to leverage what they originally wanted to do in order to get them to transact. They also used in-game advertising which would become increasingly important as it was developed. Playfish games engaged a lot of users and being able to put a brand in the middle of that engagement and emotional exchange was very valuable. However, Kristian thought that advertising evolved relatively slowly as an industry and many advertisers were still grappling with how to get the most out of the internet and social media.

Spencer Hyman, Consultant

Spencer spoke about how advertising worked on social networks and how it had grown. Advertising worked differently on the internet than in traditional media. On the internet, advertisers did not have a 30 second slot where they could interrupt people and build their brand. On social networks, it was a question of reinforcing a message, giving people more information and gaining their approval of a brand, for example, by encouraging them to

become a 'fan' on Facebook. The advertising industry was still struggling to use their money on the internet to build brands and raise awareness. However, once users were interested and engaged, the industry had been very successful at getting them to the transaction stage. In terms of click through rates versus other types of advertising, any analysis had to be accompanied by an analysis of the conversion rate. The key was how the message of a brand spread, and whether people were engaged and real fans. For example, with a social game the most important thing was how viral it could be, reaching the tipping point where the game spread enough from person to person to achieve a high user base. The subscription model had received a lot of coverage in the press due to News International's decision to erect pay walls. In the digital environment, costs for content through user generated content etc were much lower. Costs for distribution and marketing could be virtually zero due to the lowered cost of technology and use of social networks and viral marketing. This meant that companies could afford for only a small number of their consumers to pay. Many people had sneered at the emergence of the 'freemium' model, which Spencer thought was foolish. Good examples of the model were Spotify and Last.fm which offered a basic service for free and then upsold some users to a pay service which was free of advertising or offered the ability to store things. It was difficult to get people to pay for a service which they had received for free somewhere else without a differentiated proposition. Spencer thought that the most successful subscription models were generally ones which were based around community. Karaoke was an example of a product which was based around community and interaction, and had an element of user generated content, and had been a huge success for the gaming industry with SingStar and Guitar Hero etc. Those were now becoming subscription based products.

Lulu Phongmany, Business Development & Marketing Manager, iVillage.co.uk

Lulu explained that iVillage.co.uk was a purely ad funded website that has 150,000 registered community users and about 1.5 million actual users to the site, including registered message board users. They were the largest content driven community for women. They had an audience that was very engaged and users who communicated with each other. The majority of the content on the site was professionally produced by the editorial team. However, 1-3% of their registered users were content creators. For example, women would share their experience of pregnancy. What they found with the content in that space was that people were reading it the way they would an article on pregnancy. They now viewed their users as content creators in certain areas. For personal subjects like pregnancy and parenting, users would not just listen to experts, but to everyone who had those experiences. They had previously charged for their message boards but over the last three years had taken down the pay wall. iVillage was a lifestyle site so it was very difficult to charge for their content as content on similar subjects was available via blogs etc. They focused on offering the user a complete solution. In terms of advertising, they focused on selling the audience to advertisers. The core offering for an advertiser in terms of their community was essentially a consumer panel. They had worked with Wii Fit where they offered a branded message board. They saw platforms such as Facebook as being complimentary to their offering as they had found that many women used social networking in the same way that they used search, to find new content, so iVillage could use social networking platforms to direct users to their site.

Andrew Pascoe, Social Media Lead, MediaCom Beyond Advertising

Andrew spoke about subscription and sponsorship models. The traditional sponsorship model had been content production, where an advertiser attached themselves to content to expose themselves to the audience. That was slowly changing. There was still a significant reliance on a relatively traditional method of sponsorship. However, MediaCom were seeing a change in sponsorship, advertisers were now bringing content themselves rather than simply handing over X amount of a media budget to a producer. For example, an advertiser could have content on their own site which could be transferred to a trusted environment like iVillage. This did not require a change in behavior from the audience but helped gain exposure to that content. The sponsorship model was still intact, what had changed was where the content was being broadcast. Twitter provided an interesting way for advertisers to move away from a traditional sponsorship model with sponsored tweets. The concept was that an advertiser or brand could have a keyword that triggered one of their tweets or something they had tweeted being sent to the user. Currently, Twitter was rolling this out on the search results pages. Starbucks was one of the test partners in the US. When one searched for Starbucks, tweets from users appeared as normal, but tweets from Starbucks would be in the top spot. Sponsored tweets were delineated as such so there was no confusion for the user. This was similar to Google ad words in that a keyword was a trigger, and over time, it would be based on a cost per response. It was also similar to Google ad words in that advertisers would be rewarded for being more relevant, Twitter called this a resonance score, Google ad words called it a quality score. Twitter would calculate an advertiser's score by assessing how many people the message reached and how people spread it.

Q&A

Patrick Barwise, London Business School commented that they had heard earlier that there was no correlation in developed economies between the availability of superfast broadband and the take-up of broadband. Was it correct that the data transferred between people for social gaming was low bandwidth and that bandwidth was not a key issue?

Kristian Segerstrale answered that bandwidth was relative as what was considered high bandwidth five years ago would be low now. The bandwidth needed for social games was relatively low and part of the appeal was that the games were immediate and did not require download. Initial client sizes of many social network games tended to lie between 1MB and 10MB.

Laurel Chamberlain, Turner Broadcasting commented that it had been said that advertisers were slow to understand the internet. As Head of Product Development for mobile and social media at Turner, she was pleased that they had had some great successes with CNN. However, on the entertainment side, there were frustrations in achieving a critical mass. She asked Andrew Pascoe what MediaCom were doing to educate advertisers and whether he felt that there was a shift in thinking away from the value of the critical mass?

Andrew Pascoe said that critical mass was the thing that characterised what was slowing adoption down. Earlier in the day, they had discussed the importance of engagement of

users of social networks, for example through fan pages on Facebook. What the advertising industry struggled with was giving up the volume for the depth, engagement and exposure. It came down to simple metrics in terms of what was more valuable. Was it better to have 100 people play an iPhone app, for example, a game that your brand had produced, or to reach 1000 people with a website banner? Brands wanted to know how valuable the 'engaged' person was versus the person reached through traditional advertising methods. Was the 'engaged' person more likely to transact? Would they have a greater life time value? A lot of work went into econometric modeling in terms of attributing sales by channel. For brands that did not have the resources to put into modeling, it was hard for them to quantify the tradeoff.

Ajay Chowdhury asked Christian Hernandez whether Facebook worked directly with brands or through agencies?

Christian Hernandez answered that Facebook had been aligned as an agency service organisation for their sales force in Europe. They were changing that and would begin to have direct conversation with brands, as they did in the US, and then partner with the agencies to execute. Much like with search in the early days and mobile ads, it was not appropriately revenue driving yet for the agencies to set up businesses just for social media because there wasn't enough transaction across the board. However, that would change for certain agencies over the next 12 months.

Paul Gardner, Osborne Clarke asked Kristian Segerstrale what Playfish's average revenue per user was, and what he thought about Facebook credits?

Kristian Segerstrale answered that conversion rates were typically 1-10% depending on the country and the game. The average revenue of users who paid was between \$10-40, depending again on the game and the region. In terms of Facebook credits, they were great fans of the idea of facilitating transactions. Part of the reason why the iPhone model was so successful was because consumers only had to input their purchase details once. After that it was a one click experience as opposed to having to get out the credit card every time. Facebook had built their platform into a great service for consumers. Credits were a natural extension of that process. Playfish were working with Facebook to create the right end user experience so that it was as easy as possible for consumers to transact. They were already integrating credits into all of their games and looked forward to helping to improve that product over time.

Ian Maude, Enders Analysis asked whether the panel felt that there would be a rebalancing over the next few years from search to display advertising on the internet?

Spencer Hyman answered that a very interesting model which was bypassing the agencies and even many mainstream brands, was Groupon. The idea was to offer coupons to consumers who signed up for products or services which had short shelf lives, for example, offering 50% off at a restaurant that was not managing to fill its tables. There was value for both the consumer and the restaurant. The model was like a next generation form of classified search. It had been very successful in getting people to buy what was effectively marketing and advertising which they wouldn't have thought about otherwise. This sort of model could emerge very rapidly in mobile. Brands were beginning to take notice now, for

example, it was starting to appear on Foursquare with Dominos, and Starbucks had begun using it. It was not just display versus banners, there were going to be new ways of thinking about markets and how to interact with consumers.

Ajay Chowdhury said that 18 months ago the general perception was that it was very difficult to get people to pay for things on the internet other than ecommerce. There seemed to have been a shift where people were now prepared to pay, whether it was iPhone apps or games etc. He asked the panel whether they thought there was more of a propensity among consumers to pay for things online now?

Andrew Pascoe answered that part of the willingness to pay online was overcoming the barrier of completing a transaction online for the first time. Once a consumer was familiar with how to transact online and did not have any negative experiences like having their details stolen etc, they would be more likely to buy things online again. It was also important to lower the existing barriers like complexity of completing transactions. New innovations like Facebook credits would help.

Lulu Phongmany said that, for the most part, people were willing to pay for things online that they were willing to pay for offline. The problem with online was that free content meant it was hard to get people to pay for content. Even with a valuable service like the FT it was difficult to persuade people to begin paying when they had not paid previously. However, if brands focused on what people were paying for offline and tried to recreate that experience then they had a chance.

Kristian Segerstrale said that he would challenge brands not to charge for their content but to charge for their service instead. There was a lot of value add. In the digital world with superfast broadband, the things that could be done with content were amazing so the content could almost become a sideshow to the service that consumers were receiving. Spotify was a good example of this. Consumers were able to share playlists, store songs and use the service on their mobiles, and they were prepared to pay for that. In the offline world, most consumption had a social dimension. Someone buying a house would think about whether it was nice enough for their friends to visit them. People thought about how others would perceive them when they bought clothes. Consumption decisions had to have a social dynamic. In the online world, Facebook Connect, for example, allowed your friends to see what charity you gave money to, or what movie you were renting. Creating a social dimension for a purchase or for a consumption behavior increased its monetisation potential because a perceived value was created.

Panel Session: Social Impacts/The Future

John Naughton, Professor of the Public Understanding of Technology, Open University



John said that the media industry was living through what Joe Schumpeter called 'a wave of creative destruction' by which capitalism renewed itself. This process was destroying or undermining industries that had been very powerful, it was causing difficulties for governments, and mass upheaval in the educational world. Nobody knew when the changes would end or what the result would be, and therefore, a sense of perspective was not possible, which crippled the capacity for thought. The industry had gone from being an industrialised information economy where to enter the market one had to have a mass of resources, to a situation where an open network meant that anyone who could type was able to be a publisher, and anyone who had a video camera and a computer could make audiovisual content. Now the paradigms which only applied to the old ecosystem rendered everyone blind. For example, the concept of user generated content to broadcast TV was something completely alien. This creative destruction could be seen as a hurricane sweeping away the well developed and mature forest. Clearings emerged as a result of the destruction through which the sunlight was visible and shoots started to grow. However, instead of waiting to see what they would yield, some in the industry were tramping through the clearings and ripping up new shoots, discarding them as being of no value, and then moving on. There would be revenues from new models and businesses, but it would take a long time for them to develop. There was currently a kind of hysteria surrounding whatever new company was in the headlines. Friendster, MySpace and Bebo were interesting but had failed to sustain success in the long term. However, at the time they had received a lot of media coverage and hype. It would be interesting to see what happened with Facebook. People were desperate for answers and lost perspective when considering new companies.

The ecosystem had become much more diverse and this had created some interesting relationships, the outcomes of which were unpredictable as they were so complex. Journalists had been hostile to blogging as they had seen it as a threat to print journalism. However, blogging did not break news or undertake heavy reporting, it fed off other types of media, and other media fed off of it. It was a parasitic relationship. For example, Trent Lott, who had been the Senate majority leader made some controversial remarks regarding Strom Thurmond's presidential candidacy and had been engulfed in a traditional media firestorm fed by the blogosphere, which had kept the story running longer than the newspapers could have. The same was true for social networks. One of the problems with technology was that the narrative tended to be dominated by the people who were comfortable with technology, and those who were not were often portrayed as illiterates or technophobes.

Aleks Krotoski, Journalist & Broadcaster

Aleks commented that when considering the changes that the industry was undergoing in terms of morality, content ownership, and content generation, everyone was looking towards the future instead of considering historical precedents also. It was recognised that the industry was undergoing a revolution which represented an opportunity to level the playing field and achieve social changes which would have been thought impossible. In fact, historically, there had been other examples in which the press had become open and accessible and people had had information at their fingertips. The invention of the printing press was heralded as a wonderful tool by the government in spreading propaganda and making the bible more widely available. It also represented a new opportunity for dissenters to make themselves heard by the masses. The government therefore, saw the printing press as a threat in some ways, the passage of information needed to be regulated, in much the same way that governments around the world were trying to regulate the internet, and struggling. By looking backwards, it might be easier to address and make educated guesses about what would happen in the future. Concerning morality, in terms of the opportunities for copyright theft that the internet presented, there was no evidence that there had been a moral shift among the population in general caused by the fact that one could copy and share information. There was no evidence that physical crime had increased. Aleks had a problem suggesting that there had been a social revolution in terms of how people viewed content. People still had a concept of ownership and of value, even though they could replicate things repeatedly. What they valued was rarity and personal experience, from social interaction via Facebook to a large scale event like Glastonbury. It was that kind of value that needed to be monetised in a way that helped the perpetuation of the industry.

Aleks commented on the impact on their adult lives for the generation of teenagers who had grown up using Facebook. It was the same for the generation who had grown up with TV and the telephone, those tools and techniques were enmeshed in their day to day lives. And were part of their identity. What young people used social networks for was to create their identities for public presentation. Social networks acted, in a way, as an extension of the teenager's bedroom. It was interesting to consider how creating an online identity and receiving instant feedback as a result of that affected young people's identities and how they perceived themselves. There were concerns that by sharing so much online young people were becoming more vulnerable and even jeopardising their future careers. However, when Gordon Brown became Prime Minister, it became clear that he did not have a coherent visible online presence, a trail that people could follow, including moments where he had slipped up, and so he was seen as less accessible. Social media offered the opportunity to create trusted personalities, the identity that became a more public self in the future. There would undoubtedly be times where as people's identities shifted across the course of their lives, they would find some data they had previously posted online jarring.

John Whittingdale MP, Chair, Culture, Media & Sport Select Committee



John commented on the fact that despite the success of the Obama campaign in harnessing the power of social networks for political purposes nothing had happened on a similar scale in the UK during the last election. The UK was not nearly as advanced as the US in this but there was a much greater tradition of mass participation in politics in the UK. It had been hoped that social networking might provide a very substantial new source of income through millions of small donations from individuals as had happened in the US. Unfortunately, that had not materialised. It was too early to say what effect this new activity had on the election. The principle impact of politicians attempting to use new technology had been that some of them had posted things, on Twitter for example, that they subsequently decided might not have been wise and discovered that it was not possible to erase them. Apart from that, the rapidity of reaction to events was interesting, for example, the complaints about the Stephen Gately article, or the instant reaction to the performance of the leaders during the leadership debates. The media were increasingly relying on instant polling, instant research and that was undoubtedly having an impact in terms of the coverage of politics.

John went on to consider the concern that government could access the data that people posted online about themselves and how this could affect democracy. There were two dangers; what government might do with data in terms of sinister profiling etc, and that the government would lose it, which was a more real concern at the moment. Government's ability to hold onto confidential information was almost laughable. That was one of the big concerns about government databases. There were real fears that government was not a secure holder of information. In terms of profiling and compiling data, there would be benefits for consumers as information would be targeted specifically to them and was therefore, more likely to be relevant, this applied to information government provided as well as targeted advertising. Some concerns stemmed from a lack of understanding about how social networks and new technology worked. Teenagers who had grown up with Facebook were less worried about privacy issues than people who were coming to it as a new unfamiliar technology. In terms of policy, there needed to be education about these issues, transparency and giving people choice.

Q & A

The Earl of Erroll commented that one of the issues that young people who had been using Facebook for several years faced when they reached adulthood was that if they were more successful in their careers than some of their old friends, they may want to shut off certain parts of their profile to those people in order to spare their feelings. Such situations were an example of where Facebook was good in the granularity of its settings. Facebook's privacy settings had been criticised for being too complicated, but some of that complication was useful.

Aleks Krotoski answered that the Earl's comment reflected a dilemma that was faced by everyone as they grew up whether it took place through new technologies or not. It was easy to see these technologies as something new that affected people's lives and changed

their behaviour. Technology did not fundamentally change the way humans interacted with each other in terms of social psychologies.

Marina Palomba, Reed Smith asked John Whittingdale whether he thought that the proposal in the US to include some form of mark or disclaimer in all behavioural advertising would be effective in making such practices more transparent, or would it lead to consumers becoming more cynical?

John Whittingdale answered that when a technology was new and people were suspicious of it, the more reassurance they received the better. Clearly branding things with a recognisable symbol had advantages. Phorm had tried to start such activities in the UK and had come under a lot of criticism. The Information Commissioner's Office had been reasonably sympathetic, as long as consumers were informed by their ISPs that this was available to them, and that they had to choose to opt in, rather than opt out. The advantages were such that a lot of people would choose to opt in. It was possible that over time people would become more relaxed and this kind of advertising would be more accepted and the same degree of informed consent would not be required.

An Audience Member commented that the objections to Phorm had been interesting as they were philosophical, in that Phorm, in order to undertake behavioural targeting, inspected the contents of communications. However, it was properly anonymised. Google did not anonymise the data it stored and it was traceable. So why was that acceptable and Phorm's activities were not?

Aleks Krotoski answered that Google was perceived almost as an umbrella service, it did not feel local. The publicity that surrounded Phorm and the process that it went through felt much more local, as if it was looking specifically at one's machine. However, she agreed that it was just as nefarious.

Chris Dawes, DCMS asked if there was more that government could do to use social networks in ways that could effectively engage citizens which went beyond propaganda?

John Whittingdale answered that he thought governments should take advantage of everything available to them to get their message across to the public. There was a danger that governments used online distribution to such an extent that they were beginning to think that it was sufficient. One had to remember that there was a segment of the population that would not access information online either because they were not able or did not want to.

John Naughton added that social networking was about conversations and institutions like governments did not have any role in conversations. Governments and corporations often appeared out of place when they intervened in this space. In the newspaper business, journalists no longer had privileged access to information; it was available to the general public now. If newspapers were to survive they had to recognise that their audience was perfectly capable of expressing their views. The newspaper business, or an institution which was used to a privileged position, did not know how to enter into a conversation. In those circumstances, he could not see a role for large institutions or governments in social networking.

Aleks Krotoski disagreed. The key thing was that the most important aspect of social networking was communication. Relationships were the most valuable aspects of any internet interaction, whether it was one individual to another or a constituent of a particular area and their representative etc. Aleks had watched how the four main candidates had used social networking in her constituency. It was interesting to see whether the candidates had continued to use sites like Twitter after the election, the drop off across the country had been pretty impressive. Those candidates who had continued to use Twitter had created personas and shared bits about their lives as normal people. It would be interesting to see how those people fared at the next election.

John Naughton agreed that individuals who happened to be politicians had a role in social networking. However, the idea of an institution like Number 10 having a Twitter feed did not make sense to him. Gordon Brown could have had a place on Facebook but government per se did not.

Aleks Krotoski said that it depended on which tool the institution was using and how. A Facebook profile had a completely different use than a blog, a LinkedIn profile or a Twitter feed. These were different tools with which to communicate. Number 10 having a Twitter feed was a good idea as it was simply an RSS feed of the latest information sent directly to individuals. However, Number 10 having a Facebook profile would not work.

Ajay Chowdhury asked each of the panellists what they would like to see happen in social networking and online over the next 3-5 years that would be exciting or change things?

Aleks Krotoski said that she would answer the inverse of the question, what scared her. The thing that scared her most was becoming increasingly apparent in social networks and on the internet. Due to the nature of instant feedback, rather than increasing people's empathy with each other and their tolerance, human beings were confirming their biases, and becoming more segmented. People were being defined by their preferences and becoming what Amazon recommended to them. They were not exposing themselves to variety and diversity of opinion. She recommended anyone on Twitter to find a person whose views they disagreed with and follow them so that at least they would get a variety of opinion which was so lacking in how people consumed social media.

John Naughton said that he hoped that the internet would continue to generate surprises and the more disconcerting those surprises were for established industries the better. His fear was that through a combination of circumstances, a 9/11 type event happened in cyberspace which brought down a large chunk of the network, and provoked the kind of reaction that the real 9/11 had provoked. If such a thing happened, it could reach the point where individuals needed a licence from the government to have an internet connection. He hoped that the opposite happened, and that the internet continued to generate disruptive innovations.

John Whittingdale said that political parties were dying in the UK. The membership of political parties had been in decline for 20 or 30 years and the decline was accelerating. There were parts of the country where the Conservatives had virtually no members and the other parties were in the same position. That had consequences for funding of political

parties; it meant that the Labour party became wholly dependent on the trade unions and that the Conservatives were dependent on a few individuals. That was a dangerous state for politics to reach. If the UK were able to follow the US in building up a mass membership, mass participation and mass financing of political parties that would be a very beneficial development.

Fiona Clarke-Hackston, Director, BSAC, thanked the speakers and panellists for their interesting and insightful presentations and comments, and Ajay Chowdhury for his lively and engaging chairmanship. She also thanked Reed Smith for their generous sponsorship.

In September, BSAC would be holding a special meeting for Members and invited guests about WIPO and copyright issues, and in October, Josh Berger, Warner Bros, would be appearing as part of the BSAC Interview Series, to which all attendees were invited.