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EMERGING REVENUE MODELS IN SOCIAL NETWORKING PORTALS

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ABSTRACT

This paper outlines the history of virtual communities and explores the current state of for-profit Web sites that use virtual communities and related strategies to attract visitors. The paper focuses on one type of virtual community Web site that has recently shown the potential to be very profitable, the targeted social networking portal. The paper explores the characteristics of such portals and examines the revenue models those portals use today and the revenue models they are likely to use in the future.

HISTORY OF VIRTUAL COMMUNITIES

Howard Rheingold (1993) is generally believed to have coined the term virtual community as it is used today. A virtual community, also called a Web community or an online community, is a gathering place for people and businesses that does not have a physical existence. Rheingold (1993) has become recognized as the definitive book on the subject. The vestiges of these communities could be observed in the use of e-mail and pre-Internet technologies such as bulletin board systems (BBSs).

As the Web emerged in the mid-1990s, its potential for creating new virtual communities was quickly exploited. In 1995, Beverly Hills Internet opened a virtual community site that featured two Webcams aimed down Hollywood streets and links to entertainment information Web sites. As the site grew to include more geographic areas, it changed its name to GeoCities. GeoCities earned revenue by selling advertising on members Web pages and pop-up pages that appeared whenever a visitor accessed a member site. GeoCities grew rapidly and was purchased in 1999 by Yahoo! for \$5 billion (Petersen, 1999). Other similar sites became virtual communities. Tripod was founded in 1995 in Massachusetts and offered its participants free Web page space, chat rooms, news and weather updates, and health information pages. Like GeoCities, Tripod sold advertising on its main pages and on participants Web pages. The search engine site Lycos purchased Tripod in 1998 for \$58 million (Vonder Haar, 1998).

Theglobe.com, also started in 1995, was the outgrowth of a class project at Cornell University. The students who created the site included bulletin boards, chat rooms, discussion areas, and personal ads. They then sold advertising to support the site operation. Later additions included news feeds, an online art gallery, and shopping pages. Theglobe.com turned down several offers to purchase its community during its lifetime. The company experienced declines in advertising revenues during the economic slowdown of 2000 and finally closed in 2001. Virtual communities exist on the Internet today in various forms, including Usenet newsgroups, chat rooms, blogs, and

Web portal sites. These communities offer people a way to connect with each other and discuss common issues and interests. The social interaction in these communities can be considerable and many sociologists believe that the communication and relationship-forming activities that occur online are similar to those that occur in physical communities (Yoo, Suh, and Lee, 2002).

SOCIAL NETWORKING PORTALS

As virtual community sites evolved, a new type of site, now commonly called a social networking portal, emerged. These portals exist for the sole purpose of community. One of the first of these was craigslist, an information resource for San Francisco area residents that was created in 1995 by WELL member Craig Newmark. The craigslist Web site was an early pioneer, but significant numbers of profit-focused social networking sites emerged during the 2002-2005 time period (Bagozzi and Dholakia, 2002; Lechner and Hummel, 2002; Metz, 2004).

The social networking portal Friendster was founded by Jonathan Abrams in 2002. The idea behind general interest social networking sites such as Friendster is that persons people are invited to join by existing members who think they would be valuable additions to the community. These portals have become useful tools for persons who want to make new local friends, establish acquaintances before moving to a new location, or obtain advice of various kinds. Most of these sites provide a directory that lists members locations, interests, and qualities. The directory does not disclose the name or contact information of members, however. A member can offer to communicate with any other member, but the communication does not occur until the intended recipient approves the contact (usually after reviewing the sender directory information). By gradually building up a set of connections, members can develop contacts within the community that can prove valuable later.

REVENUE MODELS FOR GENERAL INTEREST AND BUSINESS SOCIAL NETWORKING PORTALS

In addition to Friendster, other general interest portal sites include Orkut, Tickle, and ZeroDegrees (Leonard, 2004a). In general, these sites do not charge a fee to join and are open to anyone who wants to join. These portals generate revenue from advertising and from marketing products and services to specific members based on their profiles. Although all social networking sites make it possible for their members to develop business contacts using their services, some of these sites have expressed a desire to focus on business networking.

These sites include LinkedIn, Ryze, and Tribe.net. Users log on to these sites with the intention of seeking jobs, finding potential business partners, recruiting workers, and engaging in other business development activities. Business users of these sites are looking for specific solutions to their problems, whether it is a company looking for an employee with specific talents, a business hoping to place its product in a particular retail outlet, or an organization that wants to find a consultant who can provide training on a specific topic. Online business networks tend to use categories that reflect these specific interests and try to make it easy for businesspersons to find exactly the connections they need as quickly and efficiently as possible. These sites are also popular with job seekers or those who see a possible career change coming up in their futures.

Because these business-focused portals offer members the potential for monetary gains, they are more likely to have admission or recurring membership fees. They are also more likely to require that new members be recommended by one or more existing members (Leonard, 2004b). Business networking portals do include advertising in their revenue models and the potential for targeted marketing is even greater here than in the general interest portals. Members often join a business networking portal for specific reasons. If the portal operators can glean these reasons from the members profiles or their activities on the portal site, the potential for finely tuning the advertising message and delivering it to a selected and very receptive audience is great. Advertising rates for such messages are substantially above those for messages targeted to a more general audience.

REVENUE MODELS FOR TARGETED INTEREST SOCIAL NETWORKING PORTALS

Some social networking portals are aimed at specific target audiences. Perhaps the best example of this directed portal is MySpace. It is certainly one of the most successful. The portal was launched in January, 2004. By early 2006, it had grown to include more than 50 million registered users, had more page views than online stalwart eBay, and by some industry estimates had garnered about 10% of all online advertising spending (Glover, 2006).

MySpace is directed to teenagers and those in their early 20s. It began as a vehicle for musical artists to promote their recordings, but it has evolved into a portal focused on all things of interest to the young age demographic. MySpace allows users to create a Web page on which they can post a personal information profile, create a blog, and post pictures. Members can also post and download music and play games. The design of the site and the features included in the portal offerings are tailored to the target audience (*Business Week Online*, 2006).

Unfortunately, MySpace member demographic also attracts an unwanted element of the online community: sexual predators. Although experts disagree on how much worse the problem is on MySpace than on other portal sites, some advertisers have expressed concerns about being associated with the portal (Oser, 2006). Since purchasing MySpace in late 2005, News Corporation (the media conglomerate managed by Rupert Murdoch) has made regular assurances to potential advertisers that they are increasing the monitoring of member activities with a focus on controlling illegal activities on the site. In addition to generating direct advertising revenues, these audience-targeted portals provide opportunities for strategic alliances and all manner of promotional tie-ins for a wide variety of companies that want access to this attractive audience demographic. For example, several musical groups have been launched using MySpace as a primary promotional vehicle.

THE FUTURE OF SOCIAL NETWORKING PORTALS

The general interest portals will likely see their numbers decrease over time. There simply is not enough advertising money to support a large number of sites of this type. The business-focused portals will have a better chance of survival, since members are more likely to be willing to pay membership and subscription fees for a network of contacts that can generate sales leads, consulting opportunities, or job opportunities. The targeted portal has the greatest likelihood of

seeing future growth because the number of potential audiences is great. Any site owner that identifies an attractive demographic and that can create a portal that attracts members in that demographic will be able to sell targeted advertising at premium rates.

The use of the personal information included in the profiles on social networking portal sites will continue to present problems. In addition to providing sexual predators with a roadmap to victims, these profiles also can expose private information more generally than the provider of the profile might have intended. Although the recent history of these portals suggests that many people are willing to give up personal information in exchange for a chance at an interesting date or a fulfilling job, it is possible that the personal information disclosure will become a more generally recognized problem in the future. This could be a factor that will limit the popularity of all three types of social networking portals.

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CRITICAL FACTORS IN SUPPLY CHAIN MANAGEMENT

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ABSTRACT

Supply chain management (SCM) is the task of integrating organizational units along a supply chain and coordinating materials, information and financial flows in order to fulfill customer demands with the aim of improving competitiveness of the supply chain as a whole [2004 Stadtler]. A total systems approach is applied to managing the entire flow of information, materials and services from raw materials suppliers through factories and warehouses to the end customer, improving not only the products sold, but also the process which delivers these products to the customer. The end result of SCM is a more efficient organization. Supply Chain Management systems have been utilized by several organizations for several years; however, globalization and increased competition has accelerated the evolution of SCM.

While trying to meet market demands, a delicate balance exists between maintaining too much inventory (ineffective use of capital) and not having enough inventories (loss of sales revenue). The purpose of this paper is to study the critical factors that affect the success of supply chain management systems, which have played a crucial role in e-commerce. The paper will prove beneficial to both managers and academicians who are interested in improving supply chain management. The enhanced knowledge can be used to better formalize the development of supply chain management systems in organizations or conduct further research in SCM.

WEB-BASED TRAINING: A MARKETING PERSPECTIVE OF ISSUES CONCERNING CORPORATIONS AND CUSTOMERS

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ABSTRACT

Corporate and individual training represents a multi-billion dollar market in the United States. According to research firm IDC, the global market for corporate e-learning and Web-based training is expected to grow nearly 27% compounded annually over the next four years, and is estimated to reach \$21 billion by 2008. This emerging form of training, defined as an educational service aimed at providing specific skills for professional or personal gain, ranges from certification programs to one-time seminars aimed at addressing a particular skill or issue. The multibillion dollar e-learning business consists of vendors ranging from Harvard Business School to dot-com start-ups. The rapid encroachment of Web-based training into a mature corporate training market presents many questions for marketers seeking to understand the evolving nature of this phenomenon. This paper explores the Web-based training market, what forms of Web-based training are emerging, and suggests how Web-based training can best be marketed to and by small business firms.