

Internet & Social Media

March 8, 2011

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This Week in Social Media - March 8, 2011

- **This Week In Twitter**

- **Charlie Sheen breaks all records in seminal day for Twitter:** Content creators are #winning.
- **Guest Post – Ad.ly:** Executing social media celebrity endorsement.
- **JP Morgan Raises \$1+ Billion for Social Media Investing:** Purchases~\$400 MM worth of Twitter stock.
- **Twitter Raising Prices of Ad Inventory:** “Promoted Trends” inventory consistently selling out, Twitter is increasing prices. What took so long?

- **This Week In Guest Posts**

- **Bill Allison:** Khan Academy revolutionizes education.
- **Badgeville:** Uncovering social media’s “moneyball” metrics.
- **Socialbakers:** How BMW outperformed Coke on Facebook.

- **This Week In Facebook**

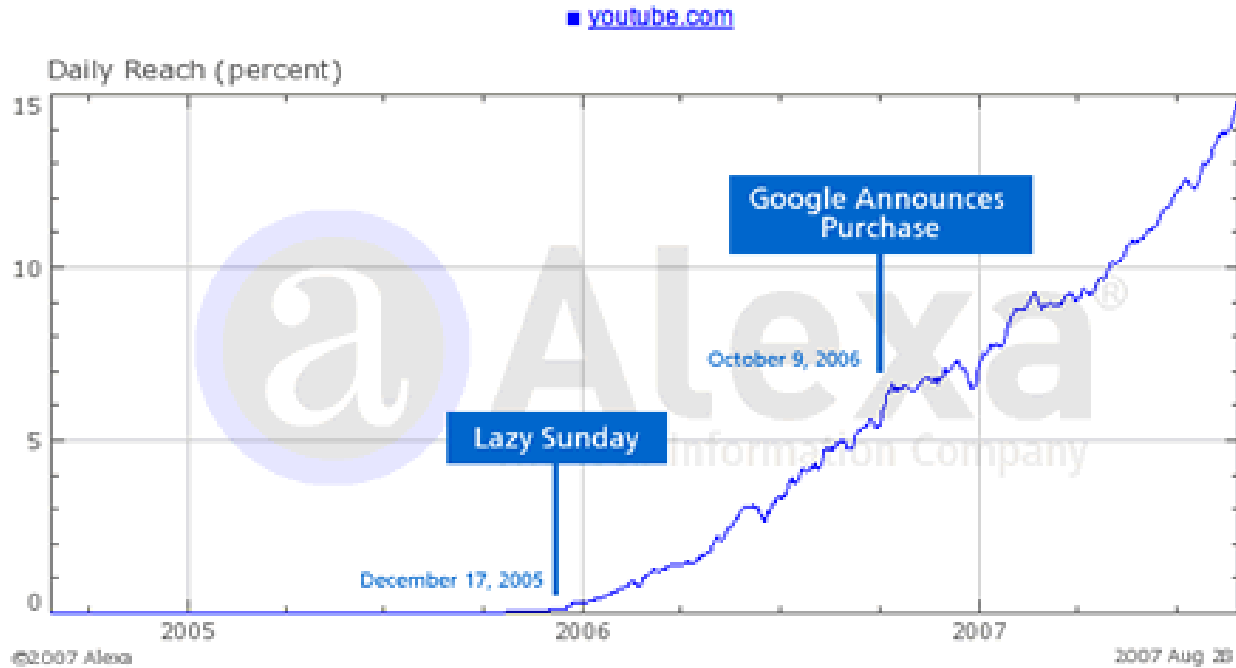
- **Facebook Shares Rise, Implies Valuation ~\$70 Billion**
- **The Facebook of China Preps IPO.** Renren will be just the first of a slew of Chinese Internet IPOs.

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Content Creators #Winning

In December, 2005 a Saturday Night Live skit called Lazy Sunday was uploaded to Youtube. One week later, Lazy Sunday surpassed 2 million views and by the time NBC had the video removed, the Lazy Sunday clip had generated 7 million video views. Lazy Sunday launched YouTube into the spotlight and ten months later, Google purchased YouTube for \$1.65 Billion.

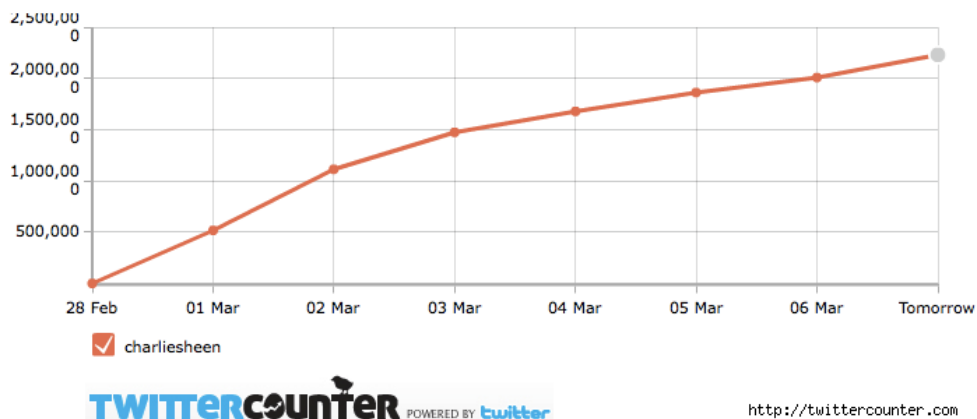
Figure 1: Lazy Sunday Initiated YouTube’s Viral Growth, Culminating in Acquisition by Google Less than 1 Year Later



Source: Alexa, Bokardo

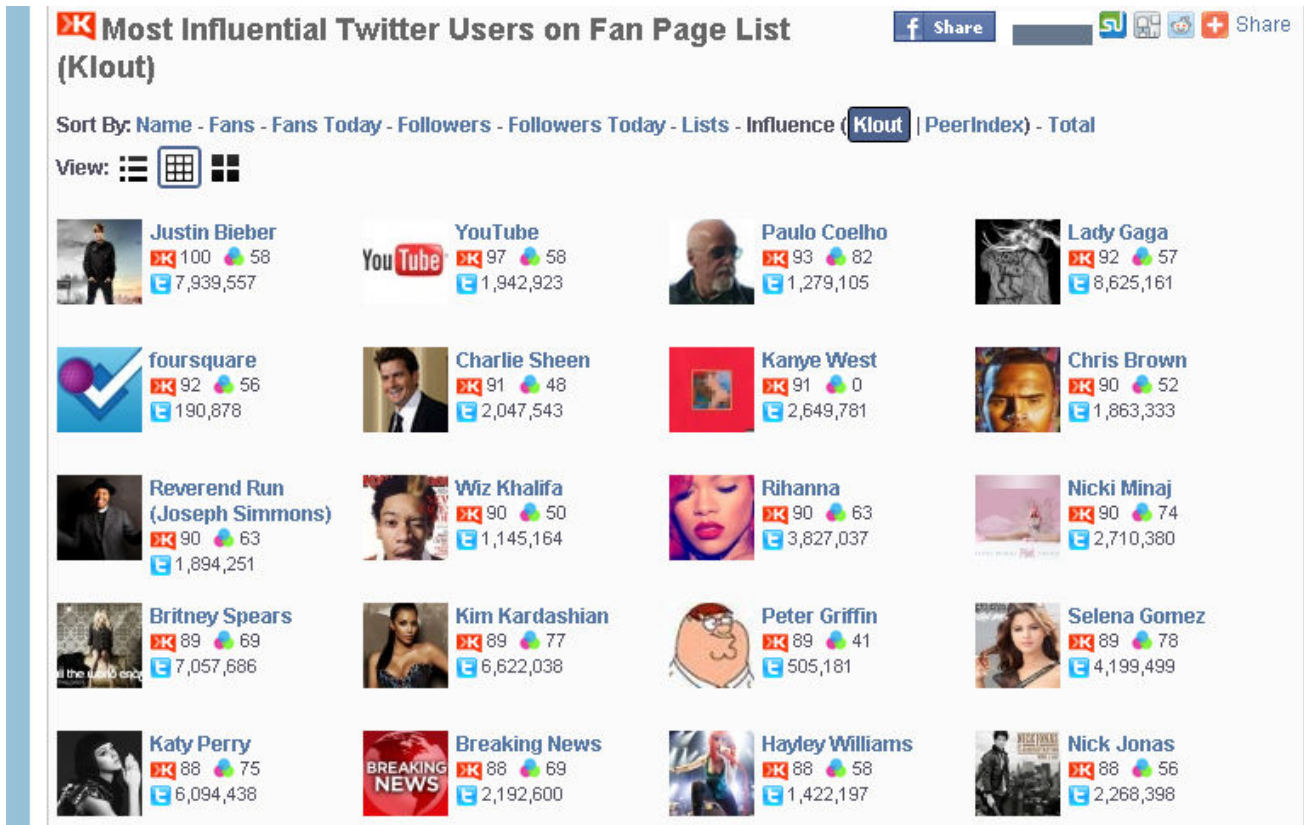
Twitter had its Lazy Sunday moment on February 28th when Charlie Sheen created his @charliesheen Twitter account. In just over 25 hours, Sheen amassed over 1 million followers, making the @charliesheen account the fastest to ever reach 1 million followers and making Twitter headline news.

Figure 2: @CharlieSheen Eclipsed 2 MM Followers in 1 Week



Source: TwitterCounter, Twitter

Figure 3: Sheen Is Currently the 6th Most Influential User on Twitter According to Klout



Source: Klout

The @charliesheen account has highlighted the ability of the Twitter platform to enable individuals to build an owned audience, in real-time, in scale, with a narrative that does not need to pass through the traditional media gatekeepers. For content creators, Twitter also enables unprecedented creative freedom. Ad.ly, which helped Sheen launch the @charliesheen account, is seeking \$50K+ from brands to receive a mention from Charlie Sheen on his Twitter account. (See Guest Post by Ad.ly below)

Figure 4: With His Massive Following, Sheen Can Now Monetize as Brands Pay to Be Included in His Feed



Source: Twitter

It's obviously not just Charlie Sheen. And its not just Twitter. Savvy content creators have been increasingly harnessing the potential of social media to shift the power dynamic in their favor. Bill Simmons grew his popularity writing on the ESPN.com platform beginning in 2001. Now, his brand outshines the ESPN.com platform as his audience will consume his content regardless of where it lives. In Mid- May Simmons will be launching a new website that will be constructed around Bill Simmons's brand and voice. Simmons says that he has thought of launching this site since 2009, and now Simmons will be able to reach 1.35 million users via his @sportsGuy33 Twitter account to build audience for the new site and his collaborators like Adam Carolla (167K+ followers) and Chuck Klosterman (67K+ followers) will mobilize further eyeballs to the site by pushing content links to their followers directly.

Another intriguing example of social media shifting power to the content creators is "The Lebrons", an animated digital video project created by Lebron James and Believe Entertainment Group. The Lebrons, which will debut in March or April, is a series of ten 5-10 minute episodes focusing on four characters that represent different aspects of Lebron James's personality. The videos will be distributed exclusively online, marketed primarily through James' Facebook and Twitter, which reach close to 7 million users. In an interview with MediaPost, Believe Entertainment cofounder Bill Masterson noted that talent is "starting to realize they have direct access to the audience and their fan base." Knowing that the distribution of the content will reach Lebron James's immense audience, Believe Entertainment Group has been able to secure sizable sponsorships from HP and Intel.

Figure 5: Celebrities Attracting Massive Following on Social Platforms

Individual	Twitter Following	Tweets	Followers per Tweet	Facebook Fans	Klout Score
Charlie Sheen	2,070,697	70	29,581	0	91
Kim Kardashian	6,624,816	6,810	973	4,531,768	89
Nicholas Kristof	1,034,093	4,193	247	202,070	85
Conan O'Brien	2,577,344	395	6,525	1,156,060	85
Barack Obama	6,869,274	1,276	5,383	18,549,233	84
Bill Simmons	1,349,166	6,156	219	20,900	83
Lebron James	1,527,230	1,012	1,509	5,322,184	83
Paris Hilton	679,242	6,808	100	3,537,430	83
Robert Scoble	168,000	49,256	3	13,052	82
Sarah Palin	436,112	833	524	2,770,222	75
Adam Carolla	167,798	1,666	101	27,688	72
David Pogue	1,334,479	3,760	355	3,990	72
David Letterman	64,026	984	65	184,127	72
Kara Swisher	726,422	13,002	56	0	68
Jay Leno	114,544	1,858	62	266,282	68

Source: Twitter, Facebook, Klout

Social Media analyst Lou Kerner has 11,000 Twitter followers (@loukerner).

GUEST POST - AD.LY: EFFICIENCY & SCALE ON FACEBOOK & TWITTER

By Arnie Gullov-Singh, CEO, <http://ad.ly/Ad.ly>

Figure 6: Charlie Sheen Tweets Mashed Up with New Yorker Cartoons

"I am on a drug. It's called Charlie Sheen. It's not available. If you try it once, you will die. Your face will melt off and your children will weep over your exploded body."

Source: Matt Stopera, BuzzFeed

Ad.ly runs celebrity endorsements on Facebook and Twitter. We match brands with the most popular celebrities on Facebook and Twitter, who endorse those brands to their fans and followers.

Brands know they need to get their arms around social media. But Marketers are overwhelmed by the rapid pace of change, and the array of high-priced consultants and high-touch solutions that don't scale. This confusion has been holding back ad budgets.

We created Ad.ly as an easy way for brands to advertise efficiently and at scale on today's dominant social media platforms -- Twitter and Facebook -- via celebrities that have amassed the largest audiences and are creating compelling content.

With the rise of social media, consumers are following people. Celebrities just happen to be the people with the largest audiences and therefore offer the greatest scale in social media.

Simply put, celebrities cut through the noise. Brands know this. They use celebrities in broadcast, outdoor and print to cut through the noise to the tune of \$50 Billion per year worldwide.

The same applies to social media. Celebrity endorsements enable brands to stand out, whereas buying ads on Facebook and Twitter only makes brands part of the noise.

Ad.ly is simple, efficient and scalable.

1. Simple: Brands understand celebrity endorsements. It's a \$50B/year market. They like Ad.ly because it's simpler and faster than a traditional endorsement deal, and because:

- We make it easy to test 10-50 celebrities per campaign (vs. betting the farm on one celebrity in a traditional deal),
- Campaigns go for 1-60 days (vs. 12-18 months in a traditional deal)
- They can start at \$50-100k (vs. \$1-2M in a traditional deal)
- They are easy to test and measure ever step along the way – to see which celebrities and messages deliver the best results.

2. Efficient: After running 24,000 endorsements over the past year, we've optimized our celebrity network to consistently deliver clicks in the \$1-2 per-click range on every campaign.

- That's less expensive than a Twitter Promoted trend and less time-consuming than buying Facebook ads.
- And endorsements from celebrities get a 5-10% CTR, which is 100x higher than a typical banner ad.
- Bonus: since our Q4 expansion into Facebook, we're also delivering an average of 500 Likes and Comments per individual endorsement update, on top of the clicks.

3. Scalable: If you bought the top 1,000 celebrities in our network, it would cost \$1.1M/day. We've already shown we can deliver \$150k in single day and we now have interest from brands at spending \$500-800k in a single day. So there is plenty of capacity.

Ad.ly's work with Charlie Sheen:

Like many celebrities, Charlie recognizes the power of social media to help bypass mainstream media filters, and help him connect directly with his audience to tell his side of the story -- unfiltered, unedited and in pure form.

Based on trusted relationships with our talent relations team, Charlie's management team reached out to us for help getting him set up on Twitter.

As we have done with many celebrities, we worked with our friends at Twitter to help Charlie secure ownership of @CharlieSheen and to verify his account. We then helped get Charlie and his team started with all of the related social tools and techniques he would need.

Charlie was an immediate sensation on Twitter and -- an epic 2MM followers later -- has set the Guinness World Record for the fastest growing Twitter account in history.

That is a testament to his wit, humor and willingness to candidly share his life. But it also speaks to the celebrities' desire to speak and interact directly with their fans, and conversely the demand from those fans to listen.

Charlie Sheen's first endorsement on Twitter.

As you may have seen reported in the media, yesterday (March 7, 2011) we ran our first endorsement with Charlie Sheen, who joined our network last week.

We worked with advertiser Internships.com to deliver killer campaign creative, in which Charlie raised mass consumer awareness for Internships.com by tweeting out a job req. for his own Social Media Intern:

So far, the campaign is delivering unprecedented results:

- 200K+ clicks-through to the Internships.com landing page.
- 20K+ Retweets & Relies on Twitter
- 15K+ Shares, "Likes" and Comments on Facebook

We look forward to sharing more details on registrations, conversion and applicants for the Sheen internship in the near future.

JP Morgan’s Digital Growth Fund Raises \$1.2 BN to Invest in Social Media & Begins to Put Money to Work

On the heels of Goldman Sachs raising \$1 BN for foreign clients to invest in Facebook, J.P. Morgan’s Asset Management Group raised \$1.22 BN for its J.P. Morgan Digital Growth Fund LP, well in excess of the \$500-\$750 million they were initially believed to be targeting.

J.P. Morgan wasted little time in putting this capital to work. Acting as a fund-of-funds, J.P. Morgan invested in a \$1+ billion fund raised by tech investor Chris Sacca. According to Techcrunch, over recent months, Sacca’s fund has acquired ~\$450 million worth of Twitter stock in the secondary market from Twitter shareholders at prices ranging from \$16-\$21/per share. The \$21/share implies a valuation for Twitter at \$4.5 BN.

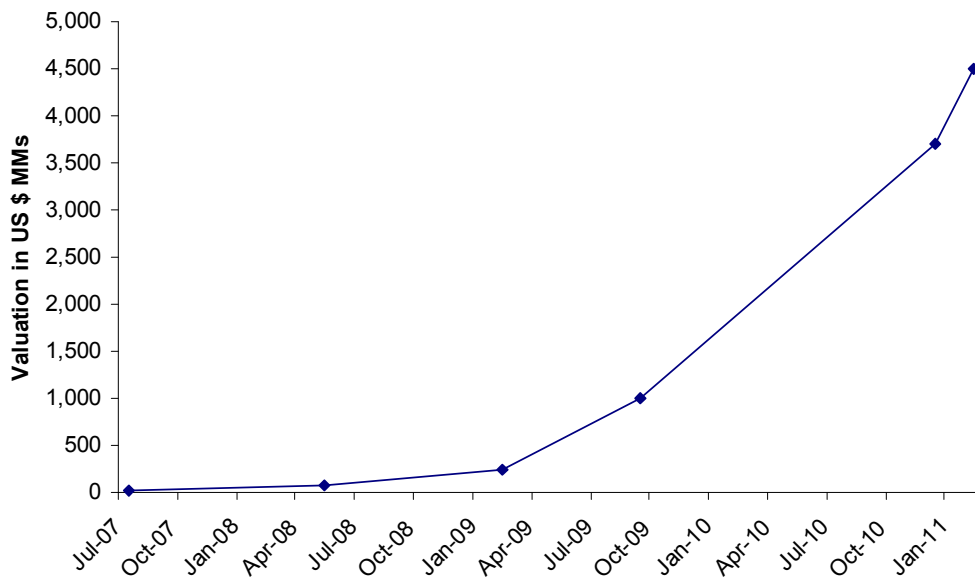
Sacca’s fund purchased shares from early investors including Evan Williams, a co-founder (who sold \$100 million); Spark Capital; and Union Square Ventures. These purchases make Sacca’s fund the second largest shareholder in Twitter, with Evan Williams still holding the largest position.

It’s looking like J.P. Morgan and Chris Sacca got a pretty good deal as the latest auction in the private marketplace valued Twitter at \$7.7 billion.

With less than a third of its Digital Growth Fund allocated, this is just the beginning for J.P. Morgan. Look for following investments to be made in other leading social media properties

Figure 7: Since 2007 Twitter has Raised \$355 MM in Five Rounds at Increasing Valuations

Twitter Valuation At Liquidity Events



Source: Company data, Wedbush Securities, Inc.

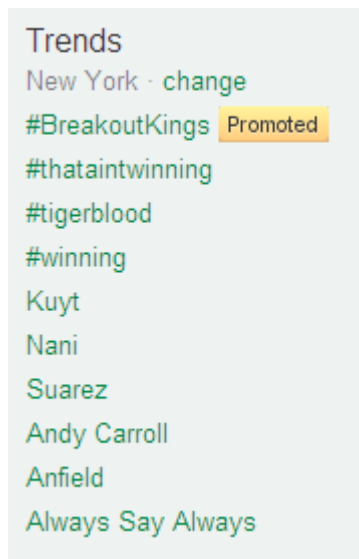
Econ 101 - Twitter Raises Pricing on Promoted Trends Due To Strong Demand

Much like Facebook, Twitter has focused on building its platform before focusing on monetizing that platform. However, we're starting to see some of Twitter's early monetization efforts succeed.

Twitter monetizes in four ways:

1. Twitter Feed: Anyone can access Twitter's API, but if you want your own pipe to directly access the Twitter Feed, you have to pay up. The first deal was reportedly for \$10 million each, for Bing and Google to get direct access to Twitter content. Future deals will be worth much more.
2. Promoted Trends: These are the most visible of all of Twitters monetization efforts, as the ads are persistent on the newsfeed page, which is the most often viewed page by Twitter users:

Figure 8: Example of a Promoted Trend Atop Twitter's Trending Section in NewsFeed Page



Source: Twitter

Sunday, the promoted trend was Breakout Kings, a new TV show on A&E. The other top trends were all Charlie Sheen related. Promoted Trends were introduced last June, when Twitter indicated that it was just one of many tests of different advertising models they planned to try. Disney bought the first Promoted Trend on June 16 for the opening of *Toy Story 3*. The Promoted Trend also comes with a Promoted Tweet at the top of the Promoted Trend stream.

Figure 9: A&E Started a Dialogue by Promoting #BreakoutKings

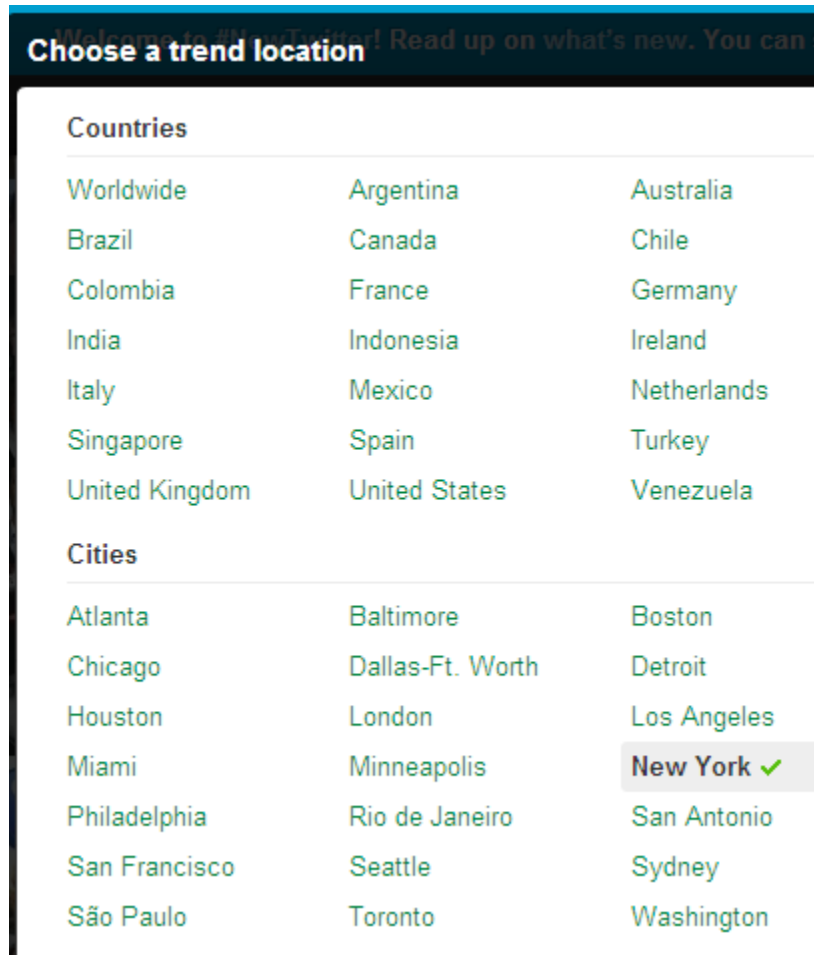


Source: Twitter

The second Promoted Trend was 10 days later (June 26) when Coke helped people follow the World Cup (#WC2010). Coke deemed that Promoted Trend a "phenomenal success" as it reached 86 million impressions served and a 6% engagement rate. Since that time, Twitter has iterated the product, most notably moving the promoted trend from 11th place at the bottom of the trending topic list to the top spot. The product has proven to be a hit with advertisers, and is sold out almost every day. As a result of strong advertiser demand, Twitter recently upped the price from \$70,000-\$80,000 per day to \$100,000-\$120,000.

We note that users now have the ability to follow trends based on geographical location:

Figure 10: Twitter Users Filter by Geographical Location to Discover Conversations in Their Locale or Around the Globe



Source: Twitter

We believe that Twitter will enable advertisers to promote trends based on geographic location as well. If Twitter could sell the worldwide trend for \$100,000 and the average geographic trend for \$5,000, that alone could generate over \$100 million per year.

- Promoted Tweets: We discussed Promoted Tweets above, which are part of the Promoted Trend package, but are also sold as a stand-alone. My first guess on what would have a Promoted Tweet did, #winning (a meme started by Charlie Cheen)

Figure 11: Promoted Tweet #NCAA Appears Atop Search Results, This Will Be a Major Source of Twitter Revenue

Results for #winning

Tweets Tweets with links Tweets near you People



infinitinews Infiniti ↻ 5 Retweets
 #Duke vs. #UNC - Early predictions? Let's hear em! #NCAA
 16 hours ago
 Promoted by Infiniti



charliesheen Charlie Sheen
 Face it folks, you just feel better when you say it. #WINNING
 3 Mar
 Top Tweet



Sexstrology Sexstrology
 #Aries #Leo and #Sagittarius were born with #TigerBlood #Winning
 10 hours ago
 Top Tweet



Charlie Sheen Charlie Sheen
 I wake up and I'm like, wow, I'm Charlie Sheen and you're not.
 #winning
 5 Mar
 Top Tweet

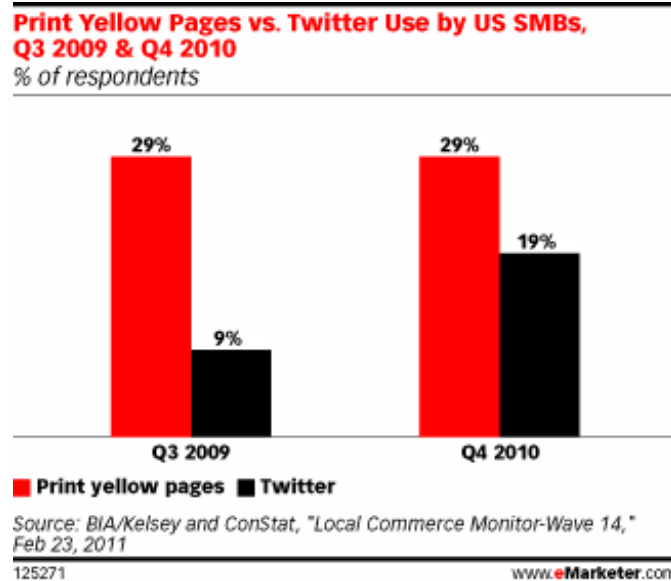
Source: Twitter

Twitter sells Promoted Tweets based on a myriad of factors, including how many people are searching the tweet (i.e. how many eyeballs it's getting). Infiniti bought this Promoted Tweet as part of its NCAA push. They also purchased #NCAA and #CoachCharity among others. No one has great estimates on this, but we believe the Promoted Tweet revenue will far surpass Promoted Trends.

- Promoted Accounts: Twitter's Promoted Accounts are sold on a "cost per follow" basis. Buyers are paying Twitter between \$1.00 to \$3.00 for every new follower the buyer acquires while their account is promoted. There is also a business model developing where unofficial "Twitter account optimizers" (e.g. Twitterbffs) are charging for providing new followers for Twitter users.

We believe Twitter remains in the embryonic stages of its monetization ramp. All data point to the fact a significant percentage of businesses who want to reach the public will utilize Twttier

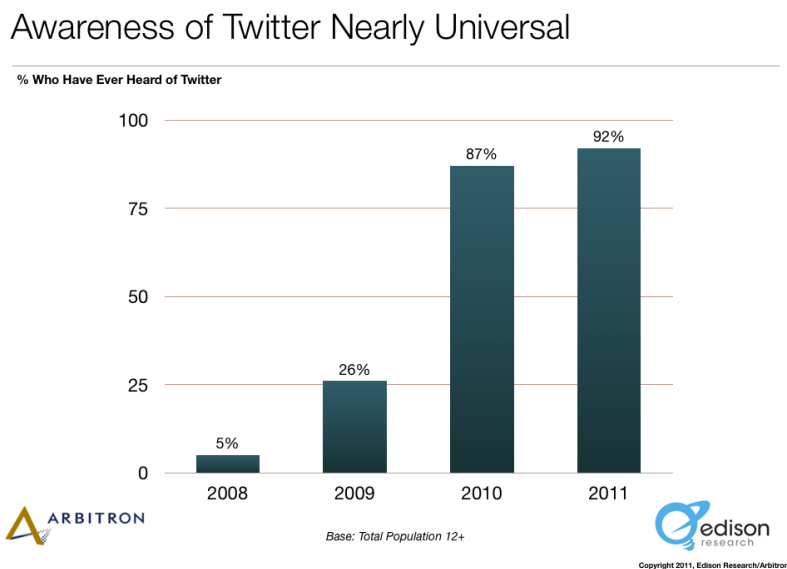
Figure 12: SMBs Will Increasingly Utilize Twitter as a Platform to Reach Customers



Source: eMarketer, Feb 2011

While Twitter’s monetization techniques are clearly progressing, the company clearly needs to focus additional efforts on improving the onboarding experience, such that a higher percentage of visitors/initial site registrations turn into active users. Of Twitter’s 200 million registered users, we estimate only about 25 million are active users. As Twitter converts a higher percentage of registered users into active users, the platform will become increasingly more valuable, and likely more pricey, to advertisers.

Figure 13: Twitter Awareness Exploded in 2010

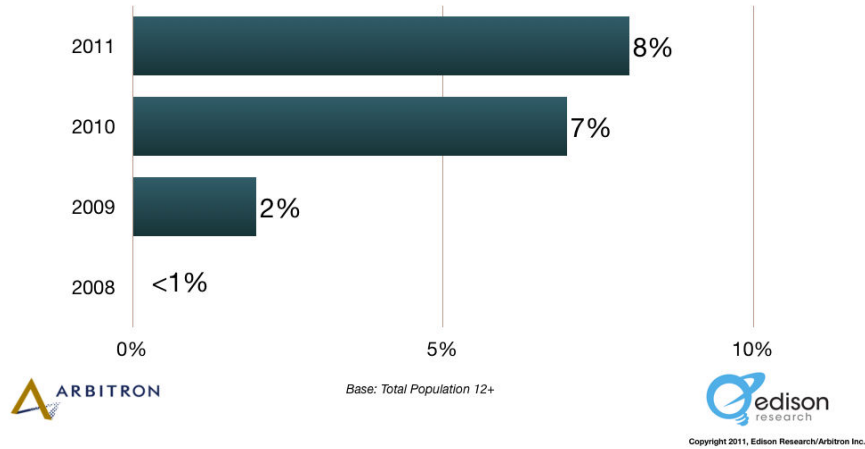


Source: Edison Research, Arbitron

Figure 14: Twitter Usage Rate is still Small, Huge Opportunities for Growth

Twitter Usage Stands At Approximately 20 Million Americans

"Do you currently ever use Twitter?" (% saying "Yes")



Source: Edison Research, Arbitron

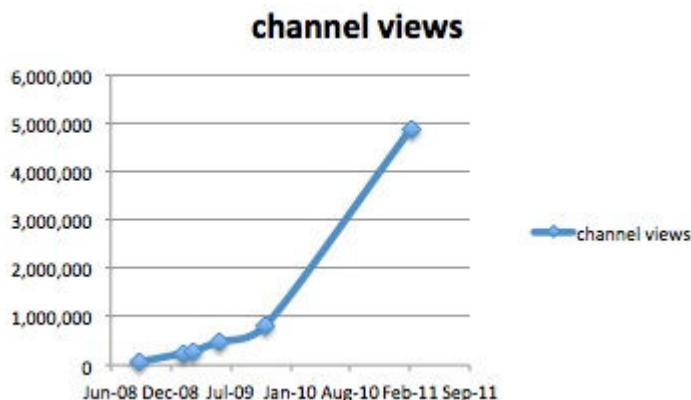
GUEST POST: Introducing a Virtual School for the Real World
 By Bill Allison, Allison Advisors

In 2004 while living in Boston, Sal Khan began tutoring his cousins in New Orleans by phone, writing out problems for them over the Internet on Yahoo Doodle.

In 2006, as demand for his tutoring skills spread through his extended family, Sal began posting screencast lessons online so others could follow along without him needing to be on the phone.

What had begun as a family project spread virally over YouTube. By September 2008 YouTube “Khan Academy” channel had over 3,000 subscribers with nearly 60,000 channel views. By March 2011, there were over 111,000 subscribers, 4.8M channel views and nearly 50M views of Khan Academy YouTube videos from people all over the world.

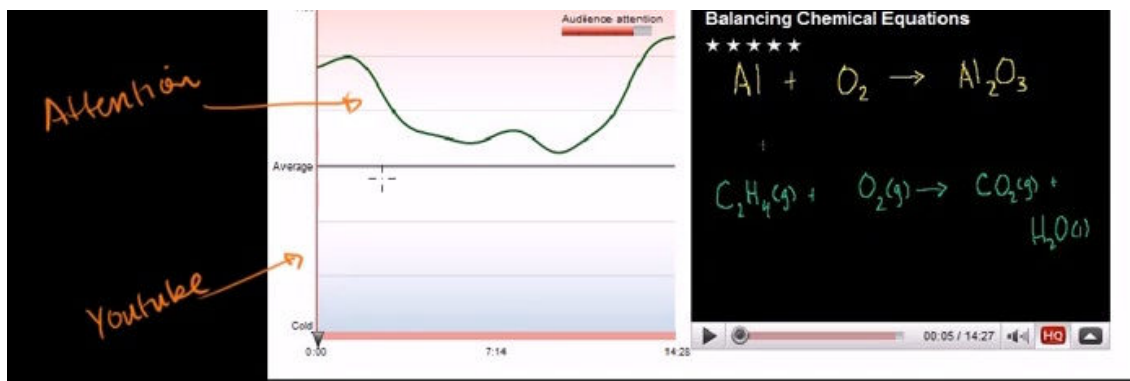
Figure 15: Sal Khan’s YouTube Channel Views, 2008-2011



Source: Archive.org

Khan scrutinizes attention metrics for each YouTube screencast. The graph to the left of the video in the picture below shows how users respond to that video compared to the YouTube average for videos at any given length -- if the attention curve for any video clip drops off, Sal can examine that moment in the screencast and edit, annotate or re-record it until seeing improved user response.

Figure 16: Attention Metrics Graphed for a YouTube Screencast



Source: KhanAcademy.org

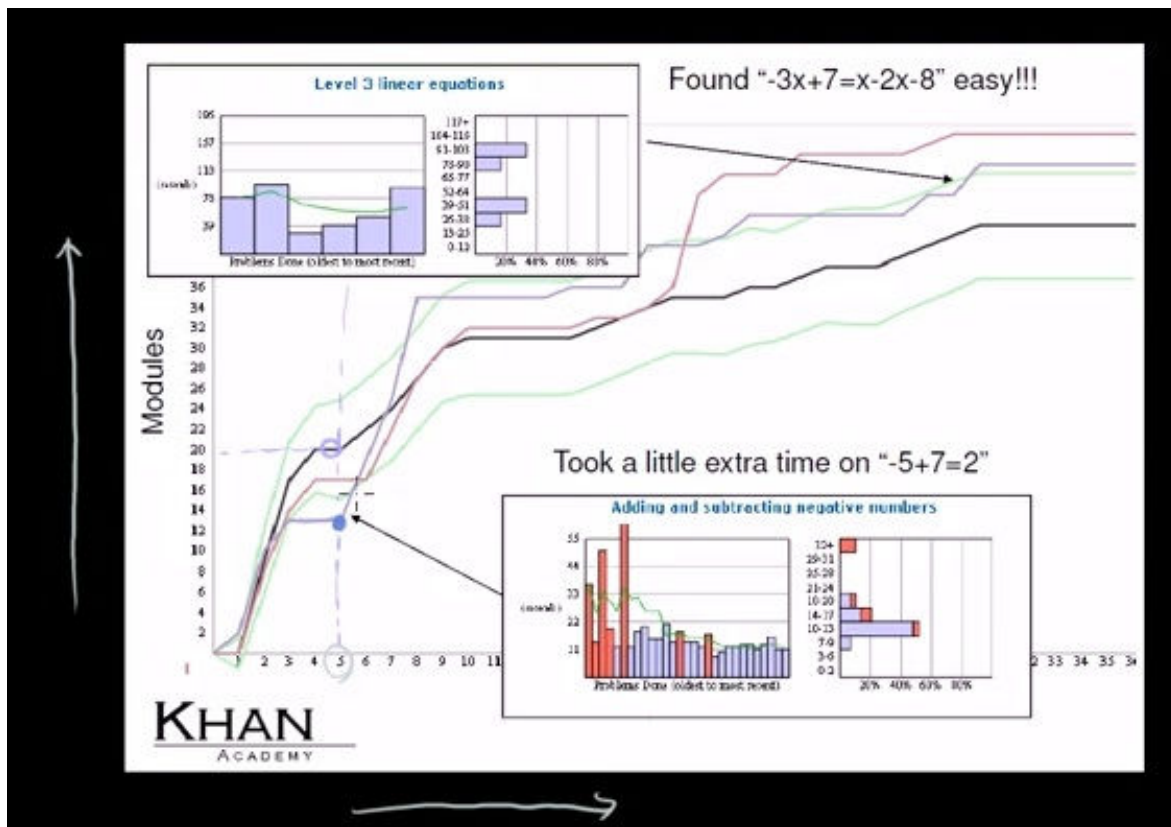
While the feedback the videos have provided is invaluable, in Sal’s mind, the videos are the low-hanging fruit and his much larger ambition is nothing less than reshaping the delivery of education worldwide by turning Khan Academy into a data-intensive “operating system” for modern education.

The traditional approach of lecturing in the classroom squanders the potential for rich in-person interaction on a one-to-many broadcast of information better served by video. Sending students home to work out problems leaves them unproductive if they get stuck. Some teachers report they are flipping around their approach to the classroom -- having students watch Khan Academy videos at home and working on homework in school.

The Khan Academy software provides students exercises, tracks the time a student takes to complete the problem, and adapts the instructions depending on the progress being made. When a student successfully completes 10 problems in a row, the system considers them understand that module and offers the next module.

Khan Academy’s instructor dashboard identifies if students are struggling with a particular module, so teachers can focus very specifically on helping where help is needed. Teachers can use reports to match students who have mastered the concepts as peer tutors for those who need help. Sal has also discussed having the system similarly match Internet users for peer-to-peer tutoring, including mechanisms to record the tutoring session for later use by others.

Figure 17: Progress Tracked and Lessons Adjusted to Ensure that Foundational Concepts are Understood by All Students



Source: KhanAcademy.org

The above screenshot shows data plotted by the Khan Academy software from a math summer camp class. The black line represents the mean performance of the class in terms of modules completed over time (the green lines indicate one standard deviation from the mean). Khan plots two “interesting students”, one whose performance fell nearly two standard deviations below the mean (tracked with the purple line). In the traditional model, this student might have been left behind, forced to move along at the overall pace of the class without understanding a foundational concept, and thus at risk of falling further and further behind. After initial delays in understanding some of the introductory concepts, these two students shot ahead, ending up among the top performers in the class.

Sal Khan harnessed two key pieces of Google's infrastructure, Youtube and AppEngine - which have truly leveled the playing field so that one motivated individual can launch a web service used by millions. Mitch Kapor, the CEO of Lotus Development recently told the New York Times, "We're in a golden age of start-up innovation because the cost of starting a company has crashed through the floor".

Meanwhile, in the real world, the cost of running traditional education has shot through the ceiling. Just to considering K-12 education. The U.S. spends roughly \$562B each year on public education for an enrolled population of roughly 50M students taught by about 3M teachers (not including private and charter schools). Khan imagines a scenario where, through use of his technology, schools could use a different approach to delivering education – with a ratio closer to 100:1 with teachers on high-value interactions such as “focused interventions” as opposed to one-to-many lectures.

The Bill Gates Foundation and Google have both given millions to Khan Academy in what Sal describes as social investments. They now have a person to coordinate crowdsourced volunteer translators around the world and have begun translating modules into languages including Arabic, Spanish, Russian and Mandarin. As Sal says, “With just a computer and a pen-tablet-mouse, one can educate the world!”

GUEST POST: Badges and the Next Generation of Loyalty **By Kris Duggan, CEO Badgeville**

A few years ago, Michael Lewis released a wonderful baseball book, “Moneyball”. The premise of the book is that, while leveraging non-conventional stats to judge players, Billy Beane, the general manager of the Oakland A's, was able to uncover undervalued players. Like undervalued stocks, these undervalued players outperformed teams that had payrolls that were almost 4-times what the A's had.

Online traffic today is facing a similar crossroads wherein content providers need to look at alternative statistics in order to create value to their customers (advertisers and consumers). In an age of Facebook and Twitter, too many people are simply transient visitors to a site. These users see a link posted by a friend, stop by to read an article and then move on. These readers have no loyalty and exhibit limited engagement. As a result, the traditional cost-per-thousand (CPM) advertising model is dying quickly. With click-thru-rates a paltry 0.10%, half of what they were 5-years ago (DoubleClick 2009 Benchmarks Report), advertisers are hesitant to pay top dollar when they know that users have no intention of interacting with a page beyond a single page view.

Badgeville, delivers a Social Rewards & Analytics Platform designed to create a more engagement. Much in the way at Billy Beane looked at baseball stats, we look at site analytics differently. Using a number of techniques from social gaming, social media, and traditional loyalty programs, we help our customers develop a more interactive experience based on behaviors that they would like to encourage on their site. We focus on driving deeper levels of engagement, which, as a result, will drive more page views while also driving stronger loyalty and better return on investment.

Make your rewards align with behaviors that you want. Make it explicit that you want them users to share and then reward them for doing so. It has been well documented that 30% of people receiving a virtual reward as a result of a behavior will share it with their social graph (Facebook, Twitter, etc.). Assume for easy numbers that your community has 100,000 people in it and you're rewarding people 3-times per month. Back of the napkin math tells me that if 30,000 people are willing to share 3 times per month, that is 90,000 shares per month. The average person has 130 friends in their social graph so $90,000 \times 130 = 11.7$ million impressions that your site will get per month – from a trusted source – their friends. Those impressions are significantly more impactful than 11.7 million CPM impressions and as they are more likely to drive engagement.



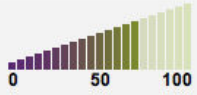


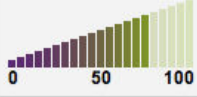
By adjusting the behavior of your readers through loyalty and engagement, you not only drive more loyalty to your brand, you also drive significant value for your advertisers and increase the sales of merchandise on your site. We aren't at a cost per engagement metric yet, but I believe that it is just a short time away and this is how you'll thrive in the new, new economy.

GUEST POST: Socialbakers - The Facebook benchmarking platform, aka Coca-Cola vs. BMW on Facebook **By Jan Rezab, CEO Socialbakers & Candytech**

Socialbakers is a one-stop resource for marketers interested in Facebook statistics. In its free version, Socialbakers delivers information about Facebook statistics in different countries, about Facebook Pages, Applications, Ad prices, and many more. In the premium section, advertisers can measure the effectiveness of their company's Facebook campaigns and benchmark the results against peers.

Analyzing the data, you can see that certain brands are excelling while others are not harnessing the full potential of social media. Coca-Cola has over 20 million fans on Facebook, but its engagement is extremely low. BMW, who has over 4 million fans (5x less) has the same number of fan interactions during last month, which is amazing. That is something, which is amazing, and we think brands should definitely monitor themselves on a regular basis, to see what content users want, and what works most on Facebook.

Figure 18: Through Hyper Local Targeting, BMW Significantly Outperformed Coca-Cola

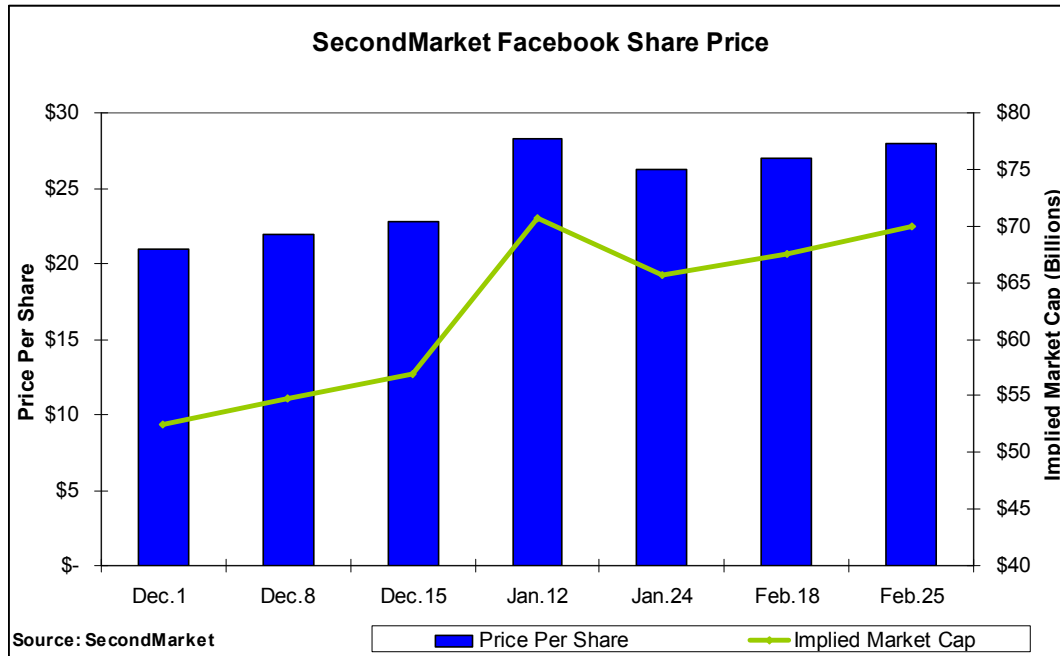
	Picture	Name	Fans	Fan Growth	Fanpage Score	Eng. Rate	Country Reach	Response Rate	Interactions
<input type="checkbox"/>		Coca-Cola	22 736 530 	+580 584 (+2,62%)		0,05 %	N/A	29,3 %	153 006
<input type="checkbox"/>		BMW	4 568 777 	+132 369 (+2,98%)		0,21 %	N/A	7,2 %	151 894

Source: Company data

Facebook Share Price Continue Upward, Approach Highs At \$70 Billion. Company Continues to Enhance Social Sharing

Last week's SecondMarket auction for Facebook shares cleared at \$28 a share versus the previous weeks \$27 share price, implying a \$70 billion market cap (estimated 2.5 billion shares outstanding). The upward momentum continues after shares dropped moderately in late January off the high of \$28.26 a share at a \$70.65 billion valuation.

Figure 19: Facebook Share Price in the Secondary Market, Implies Valuation Around \$70 Billion



Source: Company data, Wedbush Securities, Inc.

Nearly 9 in 10 social network users in the U.S. use Facebook, and eMarketer projects that Facebook will be used by 62% of total Internet users by 2013. Investors are clearly beginning to appreciate the value and growth potential of Facebook as the platform that sits in the center of the social media ecosystem.

Figure 20: Facebook Projected to Add Users and Share

	2009	2010	2011	2012	2013
Facebook Users (millions)	84.3	116.8	132.5	143.4	152.1
% Change	90.3%	38.6%	13.4%	8.2%	6.1%
% of Social Network Users	74.6%	86.8%	89.6%	90.9%	92.6%
% of Internet Users	39.0%	52.2%	57.1%	60.0%	62.0%
% of U.S. Population	27.4%	37.6%	42.3%	45.3%	47.6%

Source: eMarketer, February 2011.

One of our key tenets for believing that Facebook will continue to gain share of Internet users is the company's unwavering commitment to introducing features that enhance the social experience and increase the site's stickiness.



This week, Facebook enhanced the functionality of its "Like" Button to make it function as a Like & Share button. Until this point, when a user clicked on the "Like" button, a link to the "liked" content would appear in "Recent Activity." This update has made it so that now, after selecting "Like", a full story with a headline, blurb and thumbnail is posted to the Profile Wall.

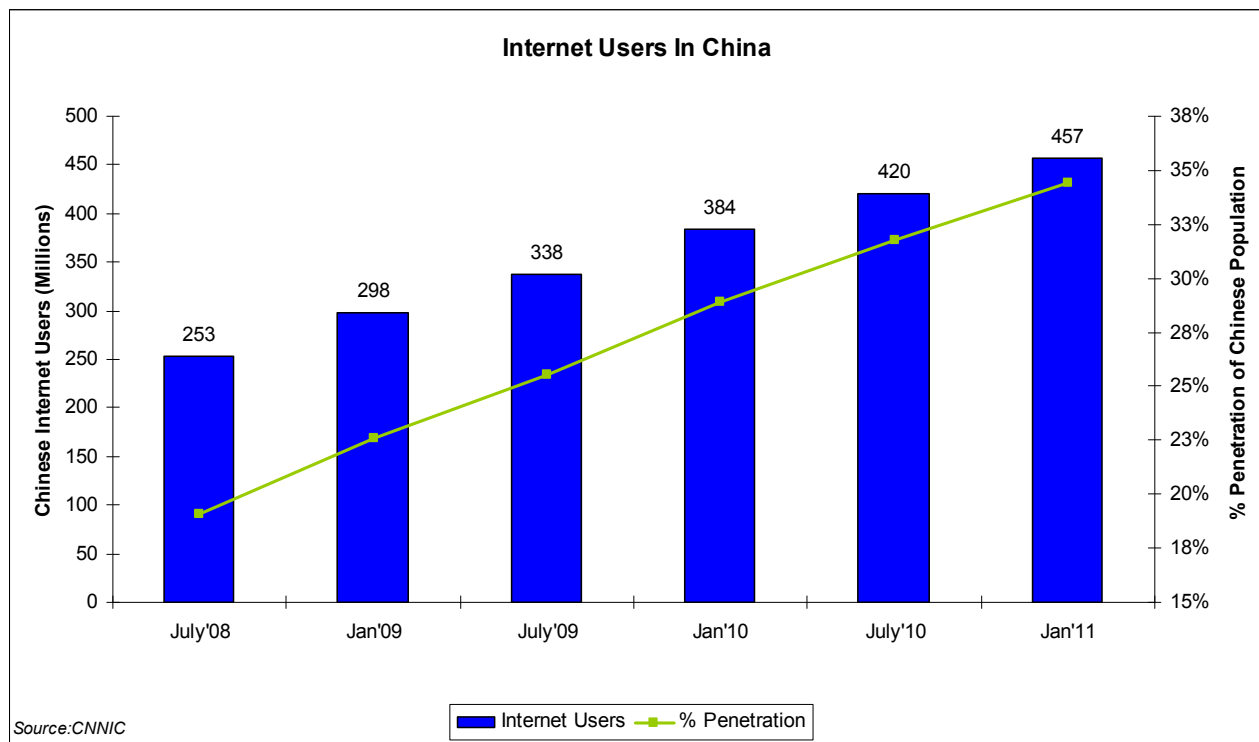
It's important to recognize that the "Like" button does not just live on Facebook, the "Like" button is also added by content publishers to content that exists off of Facebook in order to facilitate content sharing among a Facebook's member's network. According to Facebook Spokeswoman Malorie Lucich, since the "Like" button was introduced last year, the average media organization has seen a greater than 100% increase in referral traffic from Facebook. We believe that this latest change will lead to sites giving the "Likes" button even greater prominence and provide Facebook users with more interesting content to consume to the benefit of content producers who will see further increases to referral traffic.

China's "Facebook Clone" Renren To IPO, Likely The First Of an Onslaught of Chinese Internet IPOs



The Financial Times reported an impending \$500 million U.S. based IPO of Chinese social networking giant Renren. With over 160 million users, Renren is "the Facebook of China." According to statistics by CNNIC, China has over 450 million Internet users, and Internet penetration is only 34%. Renren has benefitted from being able to access this expansive market without having to worry about competition from blocked sites like Facebook or Twitter. Thus Renren can focus on competing with domestic sites like Tencent's Qzone, 51.com, and white-collar oriented Kaixin001.

Figure 21: Chinese Internet Penetration Increasing, Massive Base & Still Significant Room for Growth

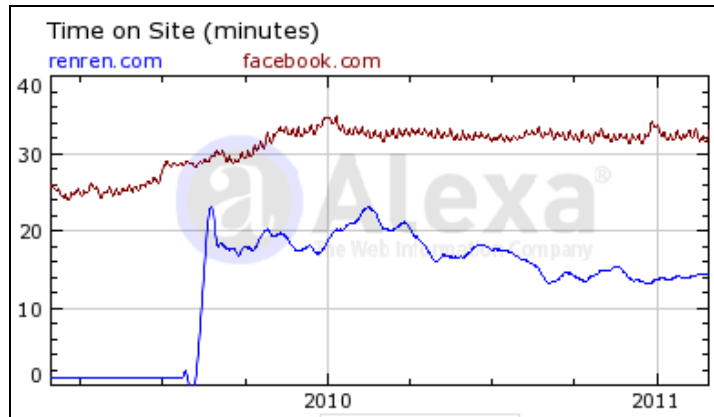


Source: CNNIC

In addition to benefitting from market forces, Renren has succeeded by aggressively iterating its web experience. Renren has managed to offer the majority of Facebook features, and has developed some unique features along the way. Unlike on Facebook, Renren users can see who has viewed their profiles. As its user base has grown, Renren has seen advertising revenues more than double in each of the last two years.

Globally, Facebook easily maintains leadership, with nearly quadruple the user base, an inherently wealthier user base, and according to data from Alexa, users spend nearly twice the amount of time on Facebook as they do on Renren.

Figure 22: Facebook Stickier Than Renren



Source: Alexa.com

Figure 23: Chinese Internet Company & The U.S. Equivalent

<u>Chinese Company</u>	<u>U.S. Equivalent</u>
360.com	Amazon
51.com	Blogger
58.com	Craigslist
61.com	Togetherville
Alibaba (public)	eBay
Baidu (public)	Google (search)
CTrip	Expedia
Dangdang	Half.com
Jiayuan	Match.com
Jeipang	Foursquare
Netease	Yahoo
Nuomi	Groupon
Renren	Facebook
Weibo	Twitter
Sohu	Pogo
Sunity	Zynga
Taobao	Amazon/eBay
Tianya.cn	Wordpress/Quora
Tudou	Youtube
Youku	Youtube
Zhenai	Match.com
DianDian	Tumblr
Tencent	AOL IM + Portal

Source: Company data, Wedbush Securities, Inc.

Figure 24: Chinese Internet Stock Performance 2010

Company	Exchange	Ticker	Business Segment	2010 Change %
51job	NASDAQ	JOBS	Online Recruitment	177%
Baidu	NASDAQ	BIDU	Internet Search	135%
Pacific Online	Hong Kong	0543	Online Advertising	104%
eLong	NASDAQ	LONG	Online Travel Booking	79%
Sina	NASDAQ	SINA	Online Advertising	52%
Global Sources	NASDAQ	GSOL	B2B eCommerce	52%
Ctrip	NASDAQ	CTRP	Online Travel Booking	13%
Focus Technology	Shenzhen	002315	B2B eCommerce	11%
Sohu	NASDAQ	SOHU	Online Advertising, Online Games	11%
Netsun	Shenzhen	002095	B2B eCommerce	9%
Giant	NYSE	GA	Online Games	1%
Tencent	Hong Kong	0700	Online Games, Virtual Goods, Online Advertising	1%
The9	NASDAQ	NCTY	Online Games	-4%
NetEase	NASDAQ	NTES	Online Games	-4%
China Finance Online	NASDAQ	JRJC	Online Advertising	-11%
Changyou	NASDAQ	CYOU	Online Games	-14%
A8	Hong Kong	0800	Online Music	-16%
NetDragon	Hong Kong	0777	Online Games	-18%
Alibaba	Hong Kong	1688	B2B eCommerce	-22%
Shanda Interactive	NASDAQ	SNDA	Online Games	-25%
Wangsu	Shenzhen	300017	CDN	-33%
Shanda Games	NASDAQ	GAME	Online Games	-37%
Kingsoft	Hong Kong	3888	Online Games	-40%
Perfect World	NASDAQ	PWRD	Online Games	-40%
KongZhong	NASDAQ	KONG	Online Games	-43%
GigaMedia	NASDAQ	GIGM	Online Games	-55%
Youku	NYSE	YOKU	Online Video	IPO
Dangdang	NYSE	DANG	B2B eCommerce	IPO
EastMoney	Shenzhen	300059	Online Advertising	IPO
Leshi	Shenzhen	300104	Online Video	IPO
263	Shenzhen	002467	Enterprise Email, VOIP	IPO
ChinaCache	NASDAQ	CCIH	CDN	IPO
Mecox Lane	NASDAQ	MCOX	B2C eCommerce	IPO
Bitauto	NYSE	BITA	Online Advertising	IPO
Zhongqingbao	Shenzhen	300052	Online Games	IPO
35.com	Shenzhen	300051	Domain Registration, Web Hosting	IPO
Ku6	NASDAQ	KUTV	Online Video	IPO

Source: SeekingAlpha

Covered Public Companies Mentioned in this Report (intraday as of 3/8/11):

COMPANY	TICKER	RATING	PRICE	PRICE TARGET
Google	GOOG	OUTPERFORM	\$595.62	\$750
Yahoo	YHOO	UNDERPERFORM	\$16.93	\$15.50
eBay	EBAY	NEUTRAL	\$31.76	\$31
InterActive Corp.	IACI	OUTPERFORM	\$30.65	\$35

Analyst Certification

I, Lou Kerner (@loukerner), certify that the views expressed in this report accurately reflect my personal opinion and that I have not and will not, directly or indirectly, receive compensation or other payments in connection with my specific recommendations or views contained in this report.

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Outperform: Expect the total return of the stock to outperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

Neutral: Expect the total return of the stock to perform in-line with the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

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Rating Distribution (as of December 31, 2010)	Investment Banking Relationships (as of December 31, 2010)
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Neutral: 38%	Neutral: 1%
Underperform: 9%	Underperform: 0%

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Capital Markets Disclosures as of March 8, 2011

Company	Disclosure
Google	1
eBay	1
Yahoo	1
IAC / InterActiveCorp	1

Research Disclosure Legend

1. WS makes a market in the securities of the subject company.
2. WS managed a public offering of securities within the last 12 months.
3. WS co-managed a public offering of securities within the last 12 months.
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9. WS has received compensation for products and services other than investment banking services within the past 12 months.
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11. WS or one of its affiliates beneficially own 1% or more of the common equity securities.
12. Lou Kerner maintains a position in shares of Facebook (private)

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Wedbush disclosure price charts are updated within the first fifteen days of each new calendar quarter per FINRA regulations. Price charts for companies initiated upon in the current quarter, and rating and target price changes occurring in the current quarter, will not be displayed until the following quarter. Additional information on recommended securities is available on request.

GOOG

1) 08/16/10	2) 10/12/10	3) 12/13/10
Underperform \$525	Neutral \$575	Outperform \$750



IACI

1) 10/19/09	2) 02/09/10	3) 04/28/10	4) 10/28/10	5) 12/22/10
Outperform \$25	Outperform \$28	Outperform \$30	Outperform \$32	Outperform \$33



YHOO

1) 08/19/10	2) 10/20/10
Underperform \$13.25	Underperform \$15.50



EBAY

* WS changed its rating system from (Strong Buy/Buy/Hold/Sell) to (Outperform/ Neutral/Underperform) on July 14, 2009.

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