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## LinkedIn Corporation, 2012

Jeff Weiner, chief executive officer of Mountain View, California-based LinkedIn Corporation (LinkedIn), reflected on how much LinkedIn had grown since its founding in 2003. Since its inception, LinkedIn had become a leading Silicon Valley institution with a brand name that was recognizable throughout the U.S. and in many countries overseas. As of March 2012, LinkedIn was the world's largest professional network on the Internet, with \$522.2 million in revenue in 2011 and more than 150 million members in over 200 countries and territories.

Unlike other major social networking sites such as Facebook and Google+, LinkedIn focused exclusively on fostering connections within the professional market. The site allowed individual members to manage their professional identity, search for business contacts, join industry groups, research firms, and identify career opportunities. LinkedIn's customers also included brands and recruiters. As of early 2012, LinkedIn generated revenue—and profits—from three sources: marketing solutions, hiring solutions, and premium subscriptions.

In May 2011, LinkedIn was the first major U.S. social networking firm to complete an initial public offering (IPO), raising an aggregate of \$270.2 million for working capital and general corporate purposes. As Weiner thought about the company's future, he recognized the challenges in continuing to massively scale the organization. At the same time, he focused on how LinkedIn could continue to use its vast amount of data to provide additional products and services for its members and customers.

### Background on LinkedIn

LinkedIn was founded in December 2002 by Reid Hoffman and a few of his former colleagues from Stanford University, PayPal, and Socialnet.com. Started out of Hoffman's apartment, LinkedIn's website was publicly launched in May 2003, not long after the massive Internet and technology stock downturns of late 2000–2002. At the time, social networking firms were in their infancy—Google was still privately held and Facebook was not founded until 2004. Hoffman and his team began talking with venture capital firms shortly after the site launch, and in November 2003, raised \$4.7 million in a Series A round led by Sequoia Capital (Sequoia).

By the end of 2003, LinkedIn had 14 employees and over 78,000 members. According to a former LinkedIn executive, “one of the greatest hurdles when [the] company started out was expanding beyond a limited Silicon Valley network. . . . Establishing small networks in cities around the country

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Professor David Yoffie and Senior Researcher Liz Kind prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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and world proved key to the eventual success of LinkedIn.”<sup>1</sup> By October 2004, LinkedIn had 1.2 million registered professionals worldwide, with 370,000 in Europe and 70,000 in Asia.<sup>2</sup>

LinkedIn began generating advertising and subscription revenue in 2005 and became profitable in March 2006. Hoffman noted, “The decision wasn’t that we had to be profitable and stay profitable. It was that we had to prove profitability quickly and easily. It helps on two vectors. You raise money much more easily with that capability. If you can’t raise money, you still have a valuable thing.”<sup>3</sup> One early LinkedIn executive described another turning point for the company:

In late 2005 or early 2006, we started to create these public profiles—versions of your profile that were indexed into Google. It made it easier to explain why LinkedIn was valuable. Is someone going to Google you? Of course. Don’t you care about what they find? All the *Sex and the City* references about Googling people led to being able to explain to mainstream America why it was so important.<sup>4</sup>

Dan Nye, formerly with Advent Software, replaced Hoffman as CEO in February 2007. Hoffman remained as the company’s chairman and president of products. He explained, “I knew I needed to hire a CEO. I know I’m strong and good at product vision, business strategy, [and] trends in the Internet industry. I like to spend my time on business and product questions, rather than organizational things.”<sup>5</sup> The company continued to add premium subscription products and corporate services, and in late 2007, introduced its Intelligent Applications platform, which enabled partners to build LinkedIn features on their websites or deploy applications on LinkedIn’s. In early 2008, the company announced that over 5 million of its 18 million members were based in Europe, and opened its first overseas office in London. Early that year, LinkedIn also launched company profiles (in addition to member profiles) and a web application for mobile devices. In the summer of 2008, the company launched the first foreign language version of LinkedIn in Spanish.

By October 2008, LinkedIn had raised almost \$100 million in four rounds with a post-money valuation of over \$1 billion. At the time, the company had over 30 million members in 150 countries and was growing at a rate of half a million new members a week.

In December 2008, Hoffman reassumed the position of CEO following Nye’s resignation, and Jeff Weiner joined LinkedIn as interim president. Hoffman commented to a reporter, “Ultimately, Dan was spectacular on many levels, but he’s just not a consumer Internet products guy.”<sup>6</sup> Six months later, Weiner was named CEO and appointed to the board of directors. Weiner had been an executive in residence at Greylock and Accel Partners. Previously, he held a variety of leadership roles in consumer web experience at Yahoo!

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<sup>1</sup> Doug Ray, “LinkedIn Co-Founder tells Stanford Students how Site became Leader in Crowded Market,” March 3, 2011, post on blog “Stanford Entrepreneurship Network,” <https://sen.stanford.edu/e-week/blog/2011/03/03/linkedin-co-founder-tells-stanford-students-how-site-became-leader-in-crowded-ma>, accessed November 22, 2011.

<sup>2</sup> “LinkedIn Secures \$10 Million in Series B Funding Led by Greylock,” LinkedIn Press Center, <http://press.linkedin.com/about>, accessed November 21, 2011.

<sup>3</sup> Nicholas Carlson, “Insiders Tell the Story of LinkedIn’s Stunning Success,” June 15, 2011, post on blog “Business Insider,” [http://articles.businessinsider.com/2011-06-15/tech/30047964\\_1\\_paypal-internet-consumer](http://articles.businessinsider.com/2011-06-15/tech/30047964_1_paypal-internet-consumer), accessed November 22, 2011.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

LinkedIn continued its rapid expansion, adding products and services, overseas offices, and foreign language versions of its website. During the summer of 2010, LinkedIn acquired mSpoke, a provider of recommendation technology, and ChoiceVendor, a provider of ratings and reviews of business-to-business service providers. The company added four high-profile members to its board of directors and, in January 2011, filed for an IPO of its stock. During the same month, LinkedIn also acquired CardMunch, a mobile application technology that enabled professionals to digitize business cards using their cellphone camera, discover them on LinkedIn, and more easily add them to their network.

On May 19, 2011, LinkedIn sold approximately 9 million shares of common stock, initially priced at \$45 per share. The offering was highly anticipated, and by the end of the first day of trading, the stock peaked at \$123 per share. Based on the day's closing price of \$94.25 a share, LinkedIn's implied market value of approximately \$9 billion was roughly 35 times sales and 550 times earnings.<sup>7</sup> Industry experts attributed the demand for the stock to several factors. LinkedIn was the first big Internet company to go public since Google in 2004. It was profitable, it offered less than 10% of its shares for sale, and additional social media IPOs—Groupon, Zynga, Twitter, and Facebook—were on the horizon. LinkedIn continued to acquire small companies in 2011, including Connected, a personal and small business social customer relationship management tool, and IndexTank, an infrastructure company that provided hosted search services.

## LinkedIn as of Early 2012

For the year ended December 31, 2011, LinkedIn had revenue of \$522.2 million and net income of \$11.9 million. (See **Exhibit 1** for selected data from LinkedIn's financial statements.) During 2011, LinkedIn saw a 60% increase in registered members relative to 2010, with 84.1 million unique visitors per month and 29.4 billion page views over the course of the year. As of early 2012, students and recent college graduates were the fastest-growing segment on LinkedIn. The company had 2,116 employees and offices in 14 countries. LinkedIn's website was available in 16 languages. In February 2012, LinkedIn acquired the browser plug-in, Rapportive.

### *Mission and Vision*

As Weiner thought about the company's strategy going forward, he started with LinkedIn's mission and vision:

To me, a mission is a realizable, achievable, measurable, and overarching long-term objective for an organization that, ideally, is inspirational. A vision is the dream. It's not necessarily achievable, but it is most definitely inspirational. [See **Exhibit 2** for LinkedIn's mission and vision statements.]

Some companies combine their mission and vision, but we like to draw a clear distinction between the two. Our mission is to connect the world's professionals to make them more productive and successful. We are growing at a rate that is faster than two new members per second, to put it into context. It took us nearly 500 days to reach our first million members. Today it takes less than a week.

There are 3.3 billion people in the global workforce, and according to some estimates, as many as 640 million "knowledge workers." The initial goals for LinkedIn were directly tied to the 640 million. We wanted to connect all of those folks, and focused historically on high-value,

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<sup>7</sup> Evelyn M. Rusli, "LinkedIn Soars on First Trading Day," *New York Times*, May 20, 2011.

white-collar professionals. But, the dream is to connect every professional, using a much broader definition. The 3.3 billion people in the global workforce break down into four segments—knowledge workers, service workers, skilled tradespeople, and laborers. Ultimately, we want to be in the position to create economic opportunity for them all.

The way we plan to do that is by connecting talent with opportunity at massive scale. That is now possible because of two convergent dynamics. One is the technology infrastructure that enables a handful of companies to connect hundreds of millions—if not billions—of people in milliseconds. The second and more important set of dynamics is the behavioral changes that are taking place as a result. The way in which people go online to represent their identities; to connect with friends, family, and colleagues; and to share information, knowledge, ideas, and opinions—represents their identities. That is fundamentally transforming the world—the way we live, the way we play, and the way we work.

### *Value Propositions*

Weiner described how LinkedIn's mission and vision tied into its products, services, and strategy:

Our mission, to connect the world's professionals, is something we measure ourselves on day in and day out. But, to achieve the broader dream of creating economic opportunity for every member of the workforce, we are focused on three primary value propositions: identity, insights, and everywhere.

Identity—We want to enable people to represent their experiences, skills, and ambitions via their LinkedIn profile. Our strategic objective is to become the professional profile of record. If someone's going to do a search to provide a job opportunity, tap your knowledge or expertise, introduce you to someone, or talk deal flow, we want them to use LinkedIn to find, be found, and connect with you.

Insights—Part of what makes LinkedIn unique is that people update their profile even when they're not looking for work. Think about that. When was the last time you updated your resume when you weren't looking for a job? As a result, we can leverage very rich information to provide the second value proposition—insights—to people while they're on LinkedIn. We want a user's home page to be a professional dashboard that brings together all the business intelligence, knowledge, and information that is being distributed throughout the user's network. The vision behind our newer products is to deliver insights based on not just one, but all three drivers of relevancy—machine learning, relevancy algorithms, and social relevancy signals such as connections, and manual curators and editors.

Everywhere—This is the notion of working wherever our members work, in a world that is increasingly driven through ubiquitous computing. We no longer expect our members to stay tethered to their desktops, or only be able to generate value from LinkedIn.com. Mobile is our fastest-growing service, and we'll continue to invest heavily there. We offer a robust set of APIs [application program interfaces] that are being used by over 60,000 developers off of LinkedIn.

## Products and Services

### *Free Solutions*

Deep Nishar, senior vice president of products and user experience for LinkedIn, added, “We orient the entire product development process around our key user value propositions.” As the company’s 10-K noted:

The cornerstone of our business is to focus on our members first. We provide the majority of our solutions to members at no cost. We believe this approach provides the best way to continue to build a critical mass of members, resulting in beneficial network effects that promote greater utilization of our solutions, higher levels of engagement and increased value for our members.

Mike Gamson, senior vice president of global solutions, commented on the company’s commitment to its members, “One of the really unique things about LinkedIn is that we are a consumer Internet company first. We have a laser focus on members because they are the most important constituent in our whole ecosystem.” Nishar concurred, “Our entire goal is to make our members productive and successful.” As a result, many of LinkedIn’s product offerings were provided free of charge. (See **Exhibit 3** for a diagram depicting LinkedIn’s network effects, and **Exhibit 4** for a complete list of free solutions.)

LinkedIn’s original core service involved enabling professionals to conduct Internet-based networking. Through LinkedIn, users could locate service providers, subject experts, business partners, and potential customers. They could also search for job opportunities. From end to end, the LinkedIn service was clearly professional, rather than social or personal, in nature.

Membership in LinkedIn was open to anyone, although more than half of all users joined the service after receiving an invitation from an existing member.<sup>8</sup> When members joined LinkedIn, they created a profile that summarized their educational history, career accomplishments, and professional affiliations. Once they completed their profile, they could expand their individual network by inviting both existing LinkedIn users and new members to join it. A LinkedIn member’s network consisted of their connections (first-degree contacts), their connections’ connections (second-degree contacts), and so forth, through third-degree connections.

Before two members could establish a connection, both parties had to agree. Both members were also free to sever that connection at any time. LinkedIn’s leaders put a premium on creating protocols based on mutual trust between members. “As soon as you invite somebody, it means sooner or later you have to make the introduction, and people don’t want to make introductions unless they think highly of them, as it reflects upon their own reputation,” Hoffman noted.<sup>9</sup>

A key service that LinkedIn provided to users was the ability to find, and potentially to contact, any other LinkedIn member. Through the site’s search function, users could pinpoint other LinkedIn members—those within three degrees of connection—whose profile either contained certain keywords or featured a certain company, industry, or job title. Users could then try to connect with a specific member in one of two ways. First, they could send a request for an introduction to that person through their chain of connections. At each degree of connection, a contacted member had to

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<sup>8</sup> David B. Yoffie, Michael Slind, and Nitzan Achsaf, “LinkedIn Corp., 2008,” HBS No. 709-426 (Boston: Harvard Business School Publishing, rev. 2009), p. 4.

<sup>9</sup> Mikolaj Jan Piskorski, “LinkedIn (A),” HBS No. 707-406 (Boston: Harvard Business School Publishing, rev. 2007), p. 2.

decide whether to forward the request. Second, and for an additional fee, members could connect with any other LinkedIn member by sending an “InMail” through LinkedIn’s integrated e-mail system. In addition, users could join professional or alumni groups to further connect, share knowledge, and find opportunities. As of early 2012, LinkedIn had over 1 million groups.

In contrast to some social networking services, LinkedIn sought to keep its site relatively simple and its user interface largely free of nonprofessional information. (See **Exhibit 5** for a screenshot of a sample user’s home page.) In March 2012, LinkedIn enabled members to:

**See updates from their network** This section of the home page provided a real-time feed of the status updates and other activity from the user’s network, including new connections, job postings, shared articles and events, and member recommendations.

**Stay up to date with industry news relevant to them** LinkedIn’s new product, LinkedIn Today, employed a “wisdom of crowds” approach, offering a news feed that delivered content on the basis of fellow network members’ sharing behavior. LinkedIn Today also generated links to articles about a user’s company, and about the company’s products, its industry, and its competitors, drawn from more than 300 publishers. “We added the news feed to source professional content from the web, targeted at topics that matter to users,” Hoffman said.

**Personalize their experience** Users could tailor sections of their profile to highlight the most relevant areas of their experience. On the home page, the “People You May Know” section highlighted contacts that users could add to their network. “Jobs You May Be Interested In” showcased employment opportunities that users could explore through their network. Other analytically driven customized products included “Groups You May Like,” and “Companies You May Want To Follow.”

**Update their status** This tool let users post brief messages about their current activities or share links to news articles or other content. This kept them top-of-mind among their network and sparked discussions on relevant industry topics.

In keeping with LinkedIn’s desire to position itself as an “asset to corporations,” the company developed offerings that furthered the goals of corporate managers.<sup>10</sup> LinkedIn had long sold products that allowed recruiters and human resource (HR) professionals to post job listings on the site or identify “passive” candidates (professionals who were not actively looking to change jobs) through advanced search capabilities. In addition, the company stepped up its engagement with corporate customers by launching products that facilitated awareness and companywide networking. For example, a product called Company Pages enabled companies to share information about their products and services, career opportunities, and corporate culture. Members could follow a company to get updates or use a company profile page to see who they knew at the organization. LinkedIn also offered workgroup collaboration tools such as polls, videos, and feeds in its custom group modules.

Another major category of free solutions was tied directly to LinkedIn’s third value proposition of “everywhere.” LinkedIn Mobile applications were offered for a variety of smartphone and device platforms and languages including Android, BlackBerry, iPhone, and iPad. As of early 2012, LinkedIn did not generate revenue from advertising on its mobile applications. Mobile was

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<sup>10</sup> Yoffie et al., “LinkedIn Corp., 2008,” p. 4.

LinkedIn's fastest-growing service, up 400% year over year, between 2010 and 2011.<sup>11</sup> As of March 31, 2012, mobile devices accounted for more than 22% of total unique member visits to LinkedIn.<sup>12</sup>

Like many other online networking services, LinkedIn functioned as a technology platform on which software developers could build applications that added value for those who used it. In 2007, LinkedIn opened its own APIs to third-party developers. The move enabled developers to build their applications into LinkedIn, or to build applications that leveraged LinkedIn data to enrich other websites. One former executive commented, "Our ability to attract great third-party applications on LinkedIn had not developed into a great success. . . . Unlike Facebook, we have not found in the professional world the equivalent to a game in the consumer world." However, LinkedIn had much greater success in deploying LinkedIn APIs with which developers could create tools and applications that benefited their own users. As of early 2012, 60,000 developers were using LinkedIn's APIs.

### *Revenue-Generating Solutions*

LinkedIn generated revenue in three categories. (See **Exhibit 6** for LinkedIn's monetized solutions by revenue source, and **Exhibit 7** for historical segment revenue data.) According to Steve Sordello, LinkedIn's CFO, "All of our revenue streams are positioned in very large addressable markets. That gives us a lot of sustainability. Even if one of those revenue streams doesn't succeed, or doesn't succeed as we expect, we have others."

**Hiring Solutions** LinkedIn earned revenue in this category primarily from the sale of its LinkedIn Hiring Solutions and LinkedIn Jobs products. Enterprises and professional organizations used Hiring Solutions to identify job candidates with industry, job function, geography, experience, education, and other qualifiers. LinkedIn had a dedicated sales force that sold this service directly to enterprise clients. "We already have a significant number of the Fortune 500 companies that are using this product, and we've started going to the SMB [small and midsize business] market," Sordello said. Gamson pointed out that LinkedIn was "highly disruptive to recruiters, making the idea of a static and quickly out-of-date Rolodex obsolete, and providing them with the world's largest, continually updated source of talent." At the same time, "talk to any executive recruiter, and you will find that LinkedIn is a critical part of their business," said David Sze, a Greylock general partner and LinkedIn board member. The Hiring Solutions category also included subscriptions targeted toward recruiters and hiring managers. As of early 2012, 82 of the Fortune 100 companies were using Hiring Solutions products.<sup>13</sup> At the end of 2011, over 9,200 enterprise organizations were under contract for Hiring Solutions products.<sup>14</sup> The segment represented 50% of LinkedIn's revenue in 2011.

**Marketing Solutions** Revenue from Marketing Solutions consisted of fees earned from marketers and advertisers for display and text ads on the LinkedIn website. LinkedIn sold its Marketing Solutions products through its field sales organization and also through a self-service offering online. According to research from Morgan Stanley, 61% of LinkedIn members had household income greater than \$60,000, making LinkedIn one of the most affluent demographics on

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<sup>11</sup> "LinkedIn Business Update," November 23, 2011, p. 22, <http://investors.linkedin.com>, accessed March 5, 2012.

<sup>12</sup> "About Us," LinkedIn Press Center, <http://press.linkedin.com/about>, accessed March 31, 2012.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

the market.<sup>15</sup> Gamson commented, “If you are a CMO for a 401k advisor or luxury car manufacturer, advertising on LinkedIn is a no-brainer.” LinkedIn’s IPO prospectus noted, “[V]isitors to our Web site represent more decision makers, have higher average household incomes, and are comprised of more college or post college graduates than U.S. visitors of many leading business Web sites.”<sup>16</sup> In 2010, LinkedIn’s Marketing Solutions were used by over 33,000 customers.<sup>17</sup> The segment accounted for 30% of revenue in 2011.

**Premium Subscriptions** Premium subscriptions were primarily derived from members who used LinkedIn’s range of subscription products. These offerings were sold online, on a monthly or annual basis, and allowed members more search, communication, organization, and customer support features than were available through the free membership. Premium subscriptions accounted for 20% of revenue in 2011.

## Professional Network Service Market

Two of LinkedIn’s markets, talent acquisition and online advertising, were of significant size to provide substantial opportunities for the company. IDC estimated the talent acquisition and administrative services market at \$85 billion in 2010, and forecast compound growth rates of approximately 5% per annum through 2015.<sup>18</sup> While a large portion of the market related to temporary staffing and administrative services, LinkedIn executives believed their products and services addressed approximately \$27 billion of the talent acquisition and administrative services market.<sup>19</sup> Morgan Stanley researchers believed LinkedIn could be a disruptive force in talent recruiting, noting, “[LinkedIn] . . . is poised to be to HR professionals and recruiters what Excel is to financial analysts.”<sup>20</sup> In addition, industry observers expected recovering economic conditions to aid LinkedIn in this segment as well. While a weak economy helped drive LinkedIn’s premium subscription products, an improving outlook for employment spurred growth in the talent and acquisition market and was expected to benefit LinkedIn’s Hiring Solutions business.

The online advertising market was estimated by IDC at \$69 billion for 2010, with compound annual growth rates of approximately 13% through 2015.<sup>21</sup> LinkedIn estimated its Marketing Solutions products addressed approximately \$25 billion of the online marketing market. Industry analysts were optimistic about LinkedIn’s opportunities in this market, given the demographic shifts from television and print to online advertising, and LinkedIn’s large number of high-net-worth professional members. However, many observers believed significant growth in LinkedIn’s marketing solutions would require improvement in user engagement. Historically, LinkedIn lagged other social networking sites with regard to time on the site. Company executives argued that unique visitors and page views were more relevant metrics for LinkedIn. Nishar commented, “We want to help our members become more productive, and therefore we want to create value on the site rather

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<sup>15</sup> Scott Devitt, Joseph Okleberry, Andrew Ruud, and Zachary Arrick, “LinkedIn Corp.,” Morgan Stanley Research, June 28, 2011, p. 35.

<sup>16</sup> LinkedIn Corporation, Form 424B4, filed May 19, 2011, p. 78.

<sup>17</sup> *Ibid.*, p. 87.

<sup>18</sup> Lisa Rowan, “Worldwide and U.S. Talent Acquisition and Staffing Services 2011–2015 Forecast: Emerging from the Doldrums,” IDC Market Analysis, April 2011, p. 15.

<sup>19</sup> “LinkedIn Corp.,” Morgan Stanley Research, p. 20.

<sup>20</sup> *Ibid.*, p. 3.

<sup>21</sup> *Ibid.*, p. 20.



than increasing a user's time on the site." Nonetheless, recent product offerings such as LinkedIn Today, LinkedIn Signal, and the LinkedIn Share button, appeared to have led to direct increases in traffic and time spent on the site.

## Competition

### *Social Network Services*

Several large social networking sites such as Facebook Inc. (Facebook), Google+, Inc. (Google), and Twitter were potential competitors for LinkedIn.

Facebook, founded in 2004, had grown to become the largest social networking site in the world. By 2012, Facebook had 845 million monthly active users who, as of early 2011, spent an average of about 15.5 hours per month on the site.<sup>22</sup> The company sought to create value for three constituents: users, developers, and advertisers. Efforts to monetize site activity focused primarily on the sale of advertising; the company also generated revenue from payment processing fees earned from platform developers. In 2007, Facebook launched an initiative that allowed third-party software developers to create applications (or widgets) that interacted with core features of the Facebook site. As of January 2012, the Facebook platform played host to about 2 million developers who had written more than 7 million applications and websites that were integrated with Facebook. In 2011, Facebook had revenue of \$3.7 billion and net income of \$1 billion. In early 2012, Facebook filed to sell its stock to the public. Observers were valuing the company at \$75 billion to \$100 billion.<sup>23</sup>

Facebook was not without its critics, and faced ongoing scrutiny with regard to privacy issues. Nonetheless, Facebook had a user base and a platform that made it a potentially serious competitor in the professional networking market. Already, the site supported corporate "pages" that allowed companies to develop online networks for employees and customers. It also hosted a number of applications that facilitated recruiting and networking. BranchOut, a start-up that offered a Facebook application for job-related networking, was launched in July 2010. By early 2012, it was the largest professional network on Facebook, with approximately 3 million visitors in 60 countries and 15 languages. BranchOut also operated the largest job board on Facebook, with over 3 million job listings. In October 2011, BranchOut launched RecruiterConnect, Facebook's first corporate recruiting product. The service was available for \$300 a month per user, compared with approximately \$8,000 a year for a similar recruiting tool at LinkedIn. BranchOut had raised over \$24 million from leading venture capital firms and angel investors. In July 2011, Monster.com (Monster) launched BeKnown, a Facebook application that competed directly with BranchOut. As of early 2012, BeKnown had approximately 170,000 unique monthly visitors.

In June 2011, Google introduced a social networking service called Google+. The service was similar to Facebook, but allowed people to share information with small groups, rather than with their entire social network. Instead of two-way "friend" relationships, Google+ used "circles" that were defined and organized by the user. Common examples of circles included "friends," "family," and "colleagues." Users could share status updates, photos, and links just with the circles they chose. One business owner argued that Google+'s circles were more flexible than Facebook groups, especially for companies: "Facebook's groups aren't really intended to be set up by businesses and

<sup>22</sup> Ken Burbary, "Facebook Demographics Revisited—2011 Statistics," March 7, 2011, post on blog "Ken Burbary.com," <http://www.kenburbary.com/2011/03/facebook-demographics-revisited-2011-statistics-2/>, accessed February 20, 2012.

<sup>23</sup> "Facebook, Inc." *New York Times Topics*, [http://topics.nytimes.com/top/news/business/companies/facebook\\_inc/index.html](http://topics.nytimes.com/top/news/business/companies/facebook_inc/index.html), accessed February 28, 2012.

can't be part of a Facebook page. . . . Businesses, meanwhile, are more or less stuck with 'brand pages' on Facebook that can only make connections with people who 'like' their pages, and everyone who hits that button is going to have pretty much the same interaction with that company's page."<sup>24</sup>

Within a month of its launch, Google+ had 10 million users. By January 2012, the service had 90 million users. Nonetheless, by many accounts, Google+ appeared to be losing momentum. In early 2012, Google sparked significant criticism when it announced it was including material from Google+ into its searches. In addition, analysts said, "advertisers are still throwing their money at Facebook instead, in large part because they are not convinced that Google+ will become popular enough to compete with Facebook and Twitter."<sup>25</sup>

Twitter was another social networking site that was being used more frequently for job-related recruiting. A recent study showed that among the "big three" social networking sites, recruiters used LinkedIn most often, followed by Twitter and then Facebook, to find talent.<sup>26</sup> According to the Bullhorn Research study, LinkedIn dominated social recruiting. Approximately 48% of recruiters used LinkedIn exclusively, and LinkedIn drove the most job views and applications. However, when adjusted for network size, Twitter followers were found to be more likely to apply for a job posting than a LinkedIn or Facebook connection.<sup>27</sup> As of early 2012, Twitter had over 100 million users. In July 2011, Twitter raised \$700 million from private investors, with an implied valuation of approximately \$10 billion.

In addition, Microsoft and Salesforce.com were also potential competitors. IDC analyst Frank Gens noted, "Social networking technologies—especially where they are being accelerated by major mobile technologies—will be recognized as a mandatory component in every major enterprise IT vendor's strategy."<sup>28</sup> LinkedIn had already collaborated with Microsoft and Salesforce. Beginning in late 2009, an add-on to Microsoft Outlook integrated LinkedIn profile information with a user's Outlook contacts. The following year, similar capabilities were integrated with Windows Live Messenger. In February 2010, Salesforce.com launched Chatter, a "Facebook for the Enterprise," designed to encourage socialization within companies and help employees become more effective. In 2011, LinkedIn partnered with Salesforce and created LinkedIn For Salesforce, where users could view profile and company information without leaving Salesforce.com. Microsoft and Salesforce.com were both publicly traded companies. For the last 12 months ended December 31, 2011, Microsoft had \$72.1 billion in revenue and \$23.5 billion in net income. For the same 12-month period, Salesforce had revenue of \$2.27 billion and a net loss of \$11.57 million.

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<sup>24</sup> David H. Freedman, "Does Google+ Offer Businesses an Edge?," January 30, 2012, post on New York Times blog "You're the Boss," <http://boss.blogs.nytimes.com/2012/01/30/does-google-offer-businesses-an-edge/>, accessed February 6, 2012.

<sup>25</sup> "Google, Inc.," *New York Times Topics*, [http://topics.nytimes.com/top/news/business/companies/google\\_inc/index.html](http://topics.nytimes.com/top/news/business/companies/google_inc/index.html), accessed February 28, 2012.

<sup>26</sup> "The 2012 Social Recruiting Activity Report," Bullhorn Reach, February 2012, p. 2.

<sup>27</sup> *Ibid.*, p. 15.

<sup>28</sup> Preston Gralla, "Will Microsoft Buy Netflix and LinkedIn?," December 12, 2011, post on Computerworld blog, [http://blogs.computerworld.com/19367/will\\_microsoft\\_buy\\_netflix\\_and-linkedin](http://blogs.computerworld.com/19367/will_microsoft_buy_netflix_and-linkedin), accessed February 7, 2012.

### *Professional Network Services*

LinkedIn also faced direct competition from online professional networks and job-listing sites such as XING AG (XING), the Viadeo Group (Viadeo), Monster, and others. Based in Germany and founded in 2003, XING was LinkedIn's most established professional network competitor. It grew quickly to become the dominant professional network in Germany, Austria, and Switzerland, and in December 2006, went public. The company was often referred to as "the LinkedIn of Europe." As of December 31, 2012, XING had a valuation of approximately \$347 million, with \$85.7 million in revenue and adjusted net income of \$12.2 million for the year.

Like LinkedIn, XING offered a premium membership service (for about \$7.50 per month) along with a basic free membership. The company had 5.3 million members in German-speaking countries at the end of 2011 and 11.7 million members worldwide. For the year ended December 2011, approximately 69% of revenue was generated by premium account subscriptions. The next largest category, recruiting, accounted for about 18% of revenue, followed by advertising at 8% of revenue. XING offered versions of its service in 16 languages. The company's expansion beyond German-speaking countries was largely through acquisitions.

Based in France and founded in 2004, Viadeo was the second-largest professional networking service after LinkedIn. Viadeo had 40 million members and operated in eight languages. Through acquisitions, Viadeo expanded beyond Europe and was available in 226 countries. It operated under the brands Viadeo, ApnaCircle, and Tianji. Viadeo was privately held, and had raised approximately \$20 million since its inception.

Monster.com was one of the world's largest job-search engines: more than 63 million job seekers used the site each month, its database contained more than 150 million résumés, and at any given time, it featured more than 1 million job postings.<sup>29</sup> Founded in 1994, Monster charged recruiters a fee to list openings on the site, while allowing job seekers to upload résumés and browse through job postings free of charge. Monster also provided career management services and job and resume search capabilities for job seekers, recruiters, and employers. Display and lead-generation advertising fees accounted for approximately 10% of 2011 revenue. In January 2011, Monster Worldwide, Inc. announced restructuring actions, including a layoff of 7% of its employees, and in early March 2011, the company's CEO, Sal Iannuzzi, told investors that the company was considering all strategic options in order to increase shareholder value.<sup>30</sup> For 2011, Monster's parent company, Monster Worldwide, Inc., had total revenue of \$1.04 billion and net income of \$53.8 million.

CareerBuilder overtook Monster in 2010 to become the largest online job board in the U.S., with over 24 million unique visitors a month. Founded in 1995, the company was jointly owned by Gannett Co., Inc.; Tribune Company; and the McClatchy Company, and grew through a series of acquisitions and partnerships. By early 2012, CareerBuilder worked with over 30,000 corporate employers worldwide, including 92% of the Fortune 1000, and powered the career sites for more than 10,000 websites, including 140 newspapers and leading portals such as MSN and AOL. CareerBuilder had a presence in 55 countries around the world.

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<sup>29</sup> Wikipedia online, <http://en.wikipedia.org/wiki/Monster.com>, accessed February 27, 2012.

<sup>30</sup> Scott Malone, "Monster Soars as CEO Mulls 'Strategic Alternatives,'" Reuters.com, March 1, 2012, <http://www.reuters.com/assets/print?aid=USTRE8201PN20120301>.

### *Other Professional Hiring and Advertising Services*

On a broad level, LinkedIn's Hiring Solutions products also competed with a variety of organizations such as talent management companies, recruiting and executive search firms, and hiring agencies. Dice Holdings, for example, specialized in vertical communities such as technology, engineering, and financial services professionals. There were also firms such as Indeed and Simply Hired that offered search engines for job listings. Gamson commented, "Despite the competition, LinkedIn rarely loses out to it. Occasionally, a company might opt for a vertical site, such as nurses only, but the biggest reason a company might say no is that they're just not ready." LinkedIn's Marketing Solutions products competed with numerous online and offline advertising and marketing organizations.

## **Growth Options**

Weiner elaborated on his thoughts about growth for LinkedIn:

We are very explicitly reinvesting in the platform because our ambitions extend well beyond our current 150 million members. Our short- to intermediate-term target is the 640 million knowledge workers. To get there requires investment in at least three areas—R&D [research and development], sales, and global expansion.

Since filing for its IPO, LinkedIn repeatedly stated its intention to invest for future growth, even at the expense of short-term profitability. Weiner elaborated, "Our technology infrastructure investment is designed to enable us to massively scale—to generate the right kind of infrastructure not only for performance and availability, but also to accumulate and leverage the right kind of data, to keep the member experience secure, to build the right kind of APIs, and the right platform approach. It is also designed to develop products our members will love over the top of that infrastructure that we can quickly test, iterate, and improve on."

LinkedIn was also investing in product development to accelerate the company's rate of innovation and expand its product portfolio, with the goal of increasing member growth and engagement. Over the last five years, LinkedIn's investments in product development (largely compensation and administrative expenses for the company's engineers, product managers, and developers) had grown substantially—from \$11.6 million in 2007 to \$132.2 million in 2011. Nishar provided his perspective:

Early on, LinkedIn focused on member growth to get the network effects. Now we are also focused on creating products that enable our users to be great at what they do. Most people are not natural networkers, and they usually don't really know what to do with the network they've created online. We have to teach people. People typically only look for a job 5 to 10 times over the life span of 30 to 40 years of working, but they have to manage their careers every day. We are trying to help users to do that by adding products like LinkedIn Today and opening up our groups to make the members' activity streams more relevant and insightful.

Another area of LinkedIn's product development was its platform strategy. Nishar explained:

Our strategy on the platform has evolved from doing a lot of third-party applications on LinkedIn to opening up our APIs and functionality and spreading them everywhere on the web people want to use them. We have over 60,000 developers who have taken API keys from us to develop interesting things. *Fortune* magazine integrated our APIs on their website so that when you click on one of the Fortune 500 companies, you can see who you know at that

company from your network. Another example is our Apply with LinkedIn button. Now, people can use the button to apply to job postings on the web with their LinkedIn profile. A third example is our partnership with Salesforce. Without leaving Salesforce.com, you can get information about contacts from LinkedIn that can effectively eliminate the need for a cold call.

All three of these examples show how we are expanding the platform capability, but primarily by bringing LinkedIn functionality to where users are elsewhere on the web as opposed to trying to get the users to come to LinkedIn. We think that's a better approach because we can provide functionality on our terms and maintain user privacy.

A third area of investment for LinkedIn was in growing its sales force. The company's sales and marketing head count increased from 125 employees in 2009 to 1,056 as of March 31, 2012. (See **Exhibit 8** for historical sales mix trends.) Weiner commented, "We've added a lot of sales reps just to keep up with demand. We've got three business lines, all growing materially. A big component of our growth is international, so we've expanded our field sales pretty dramatically overseas." In the previous 18 months, LinkedIn opened six different offices in Europe and an office in each of the following countries: India, Australia, Canada, and Japan.

The last major area of investment for LinkedIn was in international expansion. By early 2012, approximately 60% of the company's members were from outside the U.S. Revenue from international operations represented 32% of total company revenue in 2011. Nick Besbeas, LinkedIn's vice president of marketing, commented on the discrepancy: "In some markets—for example, in certain areas of Asia—growth is not as easy because the dynamics are different. We often think about our markets in two ways that are correlated but not the same. Member growth is our priority on all markets, and then we look at the commercial viability of the market. There are many very large markets that may not monetize as soon as others. For those, we focus on growing the member base."

LinkedIn maintained its international headquarters in Dublin, Ireland. The company typically translated sites into local languages before moving into foreign markets and opening a sales and marketing office. LinkedIn had moved relatively slowly in its approach to the potentially huge Asian market, given the social and cultural factors that made penetration of that region difficult, but in 2011, it established an Asia Pacific regional headquarters in Singapore, and later that year, expanded into Japan. According to LinkedIn management, the fastest-growing international markets included Asia Pacific, India, and Latin America.

## Current Dilemmas

As Weiner reflected on LinkedIn's success, he recognized the many challenges the company still faced. He wondered what more LinkedIn should be doing to continue its hyper-growth, and how the company should assess its priorities. He was eager to stay abreast of the ways LinkedIn could be vulnerable relative to other professional networking services, online job boards, or general networking companies, and to develop strategies for the company to maintain its competitive standing. From a strategic perspective, he wondered if there were ways for LinkedIn to create more value from its user data.

In particular, Weiner was interested in how LinkedIn could use the data for potential enterprise products while still being sensitive to the needs of its individual professional members. David Henke, senior vice president of operations, noted, "Enterprise solutions could be big for us. Everybody wants our data! If you're Microsoft and something like 90% of your employees are on LinkedIn, you'd like to be able to connect with them in some sort of private LinkedIn group. However, our members come first and we have to make sure we'd be adding value for them."

In seeking to target companies as well as individuals, LinkedIn ran the risk of alienating both groups. Enterprise customers might shy away from conducting company business on a system that they did not control. Meanwhile, by marketing products that blurred the boundary between individual professional development and company operations, LinkedIn might undermine its popularity among core users. “It will be extraordinarily challenging to simultaneously serve as a corporate tool and yet promote the ‘brand of me’ in an emerging free-agent nation,” one industry figure (a former LinkedIn executive) commented.<sup>31</sup> Weiner elaborated further:

People ask us all the time why other social platforms can’t do what we’re doing, and the answer is context. People want to keep their professional lives and their personal lives separate and that’s the case for roughly 80% of our members. However, it turns out that even in a professional context, there’s a divide about the information you want to share publicly as a professional, and the information you want to keep private. People are generally very open to updating their profile with regard to their title and the company they’re working for. But, for competitive reasons, they’re much more careful about publicizing the projects they’re working on and the strategic challenges they are facing.

So how do you juggle that? What’s LinkedIn’s role in that world? If we’re committed to this notion of connecting the world’s professionals to make them more productive and successful, and only a small minority of the engagement on our network is for people actively seeking a job, it means delivering value to the vast majority of people who are already in their jobs at companies. Right now, there’s one active private company group on LinkedIn. It’s LinkedIn, and we think the underlying dynamics have the makings of a killer app. So the question is, how do you start to expand that functionality on a platform that is largely for public professional information and sharing?

Weiner knew that there were many potential enterprise solutions LinkedIn could provide that would meet the various needs of corporations. The challenge was to pick the right one that would continue to put LinkedIn’s members first. Just as with every stage in the company’s evolution until now, he saw multiple potential routes ahead, and knew that few, perhaps just one, would be the right choice.

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<sup>31</sup> Brad Stone, “At Social Site, Only the Businesslike Need Apply,” *New York Times*, June 18, 2008.

**Exhibit 1** Selected Data from LinkedIn Financial Statements

	Year Ended December 31,				
	2011	2010	2009	2008	2007
<b>Consolidated Operating Data:</b>	(\$ in thousands, except per share data)				
Net revenue	\$ 522,189	\$ 243,099	\$ 120,127	\$ 78,773	\$ 32,486
Costs and expenses:					
Cost of revenue (exclusive of depreciation and amortization shown separately below)	81,448	44,826	25,857	18,589	7,384
Sales and marketing	164,703	58,978	26,847	16,986	5,037
Product development	132,222	65,104	39,444	29,366	11,578
General and administrative	74,871	35,064	19,480	12,976	6,812
Depreciation and amortization	43,100	19,551	11,854	6,365	2,107
Total costs and expenses	496,344	223,523	123,482	84,282	32,918
Income (loss) from operations	25,845	19,576	(3,355)	(5,509)	(432)
Other income (expense), net	(2,903)	(610)	230	1,277	773
Income (loss) before income taxes	22,942	18,966	(3,125)	(4,232)	341
Provision for income taxes	11,030	3,581	848	290	13
Net income (loss)	\$ 11,912	\$ 15,385	\$ (3,973)	\$ (4,522)	\$ 328
Net income (loss) per share attributable to common stockholders - Basic	\$ 0.15	\$ 0.08	\$ (0.10)	\$ (0.11)	\$ -
	As of December 31,				
	2011	2010	2009	2008	2007
(\$ in thousands)					
<b>Consolidated Balance Sheet Data:</b>					
Cash and cash equivalents	\$ 339,048	\$ 92,951	\$ 89,979	\$ 80,495	\$ 17,946
Short-term investments	238,456	-	-	-	-
Property and equipment, net	114,850	56,743	25,730	21,724	9,702
Working capital	499,268	66,734	71,885	71,486	10,175
Total assets	873,697	238,188	148,559	122,062	35,162
Redeemable convertible preferred stock	-	87,981	87,981	87,981	12,700
Convertible preferred stock	-	15,846	15,413	15,413	15,413
Total stockholders' equity	624,979	36,249	9,082	5,230	6,589

Source: LinkedIn 10-K for the year ended December 31, 2011, pp. 39, 40.

**Exhibit 2** LinkedIn Mission and Vision Statements**Mission:**

Our mission is to connect the world's professionals to make them more productive and successful. Our members come first. We believe that prioritizing the needs of our members is the most effective, and ultimately most profitable, way to accomplish our mission and create long-term value for all our stakeholders. We will continue to concentrate on opportunities we believe are in the best interests of our members. Our long-term approach enables us to invest, innovate and pioneer in unexplored segments of our industry to increase the value proposition of our proprietary platform and extensive data.

Our solutions are designed to enable professionals to achieve higher levels of performance and professional success and enable enterprises and professional organizations to find and connect with the world's best talent.

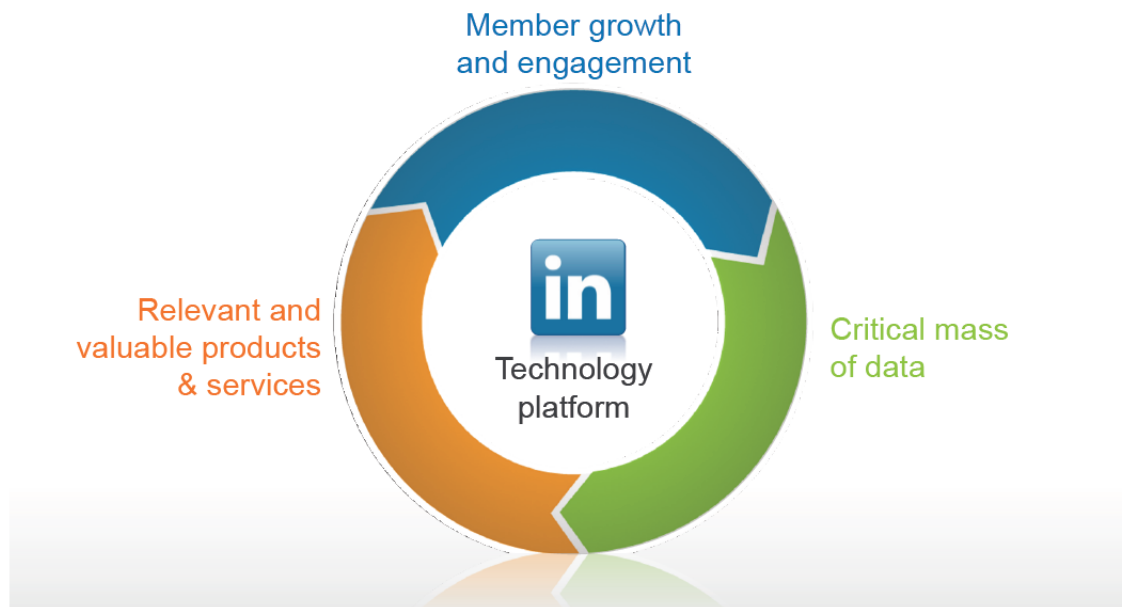
**Vision:**

Our vision is to create economic opportunity for every professional in the world. This vision not only applies to each of our employees, but every LinkedIn member, each of whom has the ability to create economic opportunities for others. We believe this is the fundamental power of our network.

Source: LinkedIn Corporation, Form 424B4 (Prospectus filed pursuant to Rule 424(b)(4)), filed May 19, 2011, p. 2.

**Exhibit 3** Diagram of LinkedIn's Network Effects

## The power of LinkedIn's network effects



Source: LinkedIn Business Update Presentation, November 23, 2011, p. 6, [www.investors.linkedin.com/events.cfm](http://www.investors.linkedin.com/events.cfm).



**Exhibit 4** Free Solutions

<b>Ability to Manage Professional Identity</b>	<b>Enhanced Ability to Build and Engage with Professional Networks</b>	<b>Access to Knowledge, Insights and Opportunities</b>	<b>Ubiquitous Access</b>
Profile	LinkedIn Connections	Network Updates	Mobile
Public Profile	Invitations	Groups	APIs
Profile Status	Search	LinkedIn Today	Widgets
Skills (Beta)	Introductions	Signal	
	People You May Know	Company Profiles	
	Address book Importer	Polls	
		Events	
		InApps	
		Answers	
		Personalization Platform	
		Apply with LinkedIn	
		LinkedIn Alumni	

Source: LinkedIn 10-K for the year ended December 31, 2011, p. 4.

## Exhibit 5 Screenshot of Sample User's LinkedIn Home Page

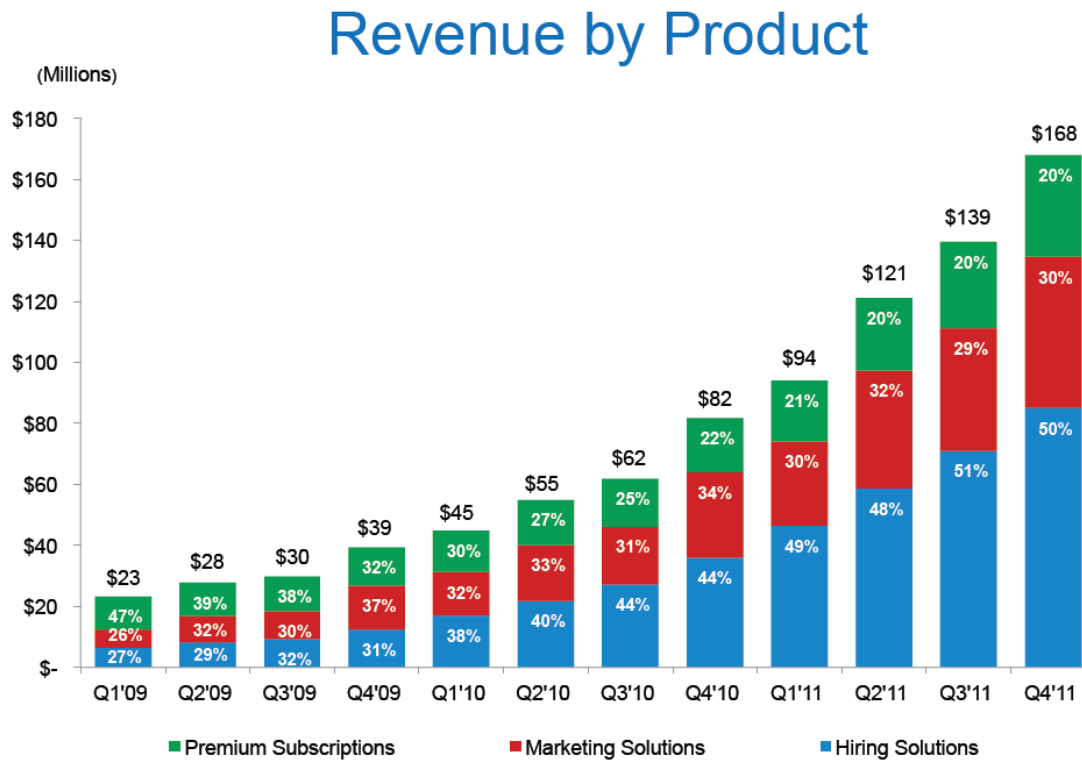
The screenshot displays the LinkedIn home page for a user named Ashlee Shultis. The top navigation bar includes links for Home, Profile, Contacts, Groups, Jobs, Inbox (with a red notification badge), Companies, News, and More. A search bar is located on the right. Below the navigation bar, a banner for 'Now Hiring At Infection!' is visible. The main content area is divided into two columns. The left column features a 'Share an update' box, followed by a 'LinkedIn Today' news section with articles such as 'Graffiti Artist Turns a Bridge Into Realistic LEGO Street Art' and 'New hospitals invest in data centers to manage growth in patient info'. The right column contains several sections: 'People You May Know' with suggestions to connect with Darcy Welles, Darren Delavega, and Kelly Edgin; 'Jobs You May Be Interested In' listing roles like 'Interaction and Visual Designer' and 'Visual Designer (User Interface/User...)'; 'Who's Viewed Your Profile' showing 5 profile views and 20 search appearances; 'Your LinkedIn Network' displaying 303 connections and 36,235 new people in the network since July 7; 'Groups You May Like' including '3D Design Professionals' and 'AAU Animation&VFX Alumni'; and 'Companies You May Want to Follow' featuring logos for KSL, CREW, BOSZ, and others. The footer contains links to Help Center, About, Blog, Careers, Advertising, Recruiting Solutions, Tools, Mobile, Developers, Publishers, Language, and Upgrade Your Account, along with copyright information for LinkedIn Corporation © 2012.

Source: LinkedIn Corp.

**Exhibit 6** Monetized Solutions by Revenue Source

<b>Hiring Solutions</b>	<b>Marketing Solutions</b>	<b>Premium Subscriptions</b>
LinkedIn Corporate Solutions/Recruiter	LinkedIn Ads	Business
LinkedIn Referral Engine	Display Ads	Business Plus
LinkedIn Recruitment Media	Custom Groups	Executive
LinkedIn Career Pages	Sponsorships	InMail
LinkedIn Jobs	Whitepapers	Profile Organizer
Talent Basic, Talent Finder, Talent Pro	Recommendation Ads	
Job Seeker Basic, Job Seeker, Job Seeker Plus		

Source: LinkedIn 10-K for the year ended December 31, 2011, p. 4.

**Exhibit 7** Historical Revenue by Product

Source: LinkedIn Earnings Slide Deck 4Q 2011, p. 6, [www.investors.linkedin.com/events.cfm](http://www.investors.linkedin.com/events.cfm).

**Exhibit 8** Historical Sales Mix Trends

	Year Ended December 31,							
	2008		2009		2010		2011	
	(\$ 000s)	%	(\$ 000s)	%	(\$ 000s)	%	(\$ 000s)	%
Field Sales	37,329	47%	64,031	53%	135,691	56%	287,634	55%
Online Sales	41,444	53%	56,096	47%	107,408	44%	234,555	45%
Net Revenue	78,773	100%	120,127	100%	243,099	100%	522,189	100%

Source: LinkedIn 10-K for the year ended December 31, 2011, p. 45; and LinkedIn Corporation form 424B4 [Prospectus filed pursuant to Rule 424(b)(4)], filed May 19, 2011, p. 49.