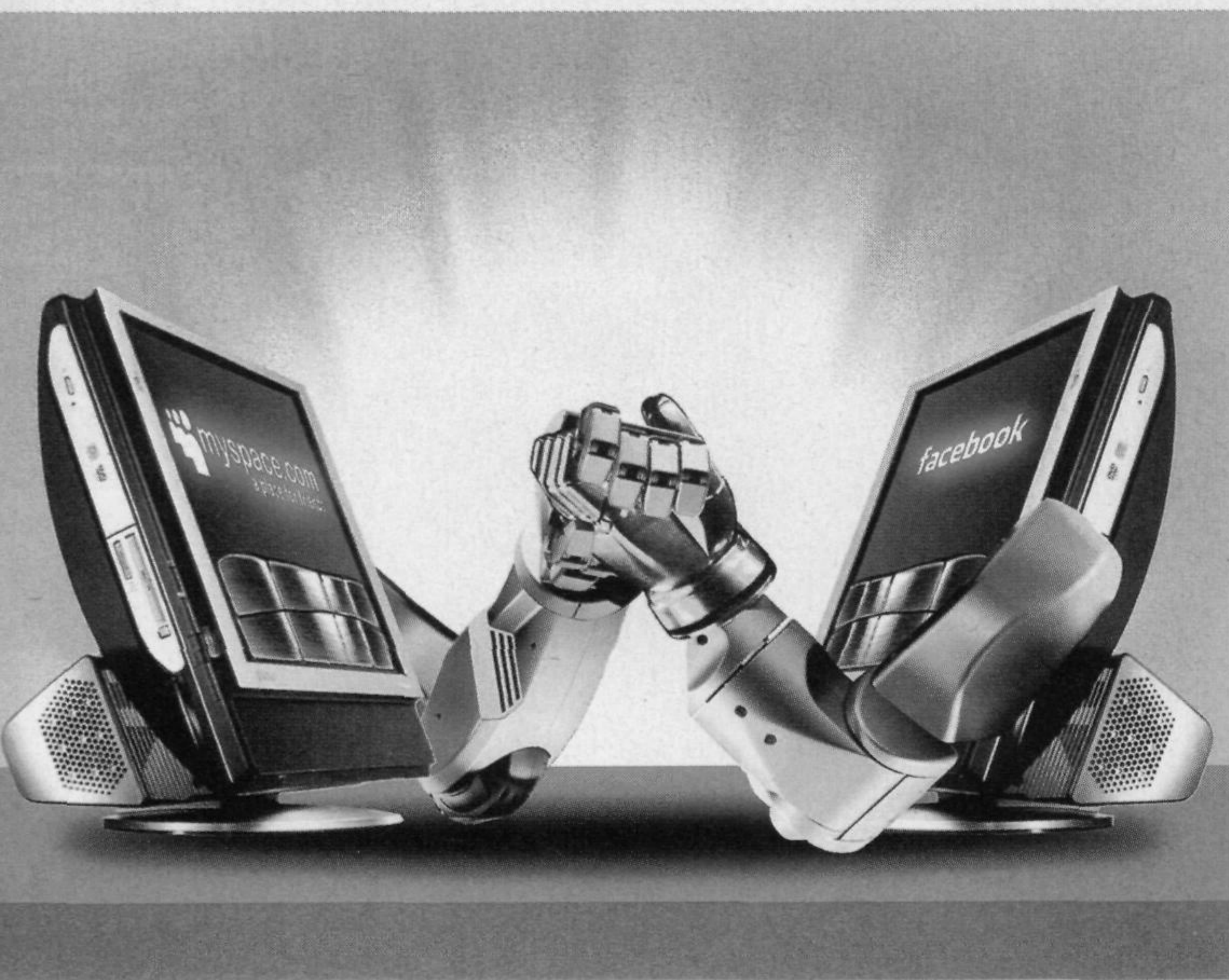


MYSPACE

July, according to comScore Media Metrix. Another research firm, Compete.com, calculates that Americans spend about 12% of all their Internet time there. And apparently it's not just kids anymore—about half of its members are over 35. Murdoch bought MySpace in 2005 when it had \$23 million in revenues; he recently told analysts that in the fiscal year beginning in July, it will take in \$800 million, with a profit margin greater than 20%.

Of course, there's no telling whether MySpace's numbers will continue to kick butt. New competitors arise almost every day, and the site continues to be hammered by criticism of its privacy and safety practices. It's impossible to say for sure who's even going to be running the place a year from now: DeWolfe and Anderson are currently renegotiating their News Corp. contracts. But chances are this operation will be around for a long time. In fact, I'm going to go out on a limb here: MySpace, Rupert Murdoch's four-year-old Internet plaything, may be the template for the media company of the future.

COMPARING MYSPACE AND FACEBOOK is inevitable because of their dominance in the business, but their differences are profound. Facebook is intended to be used only to connect you to the people you already know offline; it's a "utility," to use the pre-



ferred label of its founder and CEO, Mark Zuckerberg. Its user interface is clean and tidy, and the whole vibe is efficiency and getting things done. MySpace, on the other hand, is a mishmash of modern media—rich with music and video and comedy. It's like a rock & roll club—chaotic, loud, and packed. Many user profiles are florid and flamboyant, with flashing text and music that starts playing as soon as you arrive. "We're focused on helping people express themselves and do the connection and discovery game," says Steve Pearman, one of Anderson's top deputies in designing the service. "If you want pink blinking text on a black background, who am I to say it's wrong?"

At MySpace you can befriend not only anybody but anything. A dog can have a profile, and so can AT&T. This looseness has powerful effects, very different from anything on Facebook. MySpace became the de facto home page for the music industry

because its members could befriend bands. Any brand, political candidate, nonprofit, even government, can create a profile and start adding friends. Hillary Clinton has 135,000 friends, and Barack Obama has 175,000. The recent movie *Bratz* accumulated 42,000. Victoria's Secret PINK brand has 210,000. Comedian Dane Cook has the most friends of all—more than two million. It doesn't cost anything to create a profile, although companies like Victoria's Secret pay extra for MySpace's promotional help. To say you are a MySpace friend of Dane Cook or Victoria's Secret is a way of expressing an affinity, one that you are implicitly suggesting your friends might like to share. Abercrombie & Fitch enjoys a 167,000-member group created by a fan without any involvement from the retailer.

Pearman describes the way the MySpace experience typically works: "I know you, and I see one of your friends. Look at them—they're friends with this band. The band is doing a show. They're at this awesome club. Here's a guy who also goes to that club and is a *Battlestar Galactica* fan—maybe he and I should be friends." As users happily wend their way through this process, they click through screen after screen, every one of them festooned with ads. (On one day this summer, MySpace showered its users with 7.3 billion of them.)

With all that clicking and friending going on, it's no wonder MySpace is becoming an advertising mecca. Also playing into its advertising appeal is the fact that MySpace effectively runs its own mini-Internet in which users all have their own home pages, replete with data about themselves that can be examined and—to use a cherished Net industry term—"monetized." Google promised in 2006 to pay roughly \$250 million a year to show text-based search and keyword-targeted ads across MySpace through mid-2010. MySpace sells most of its banner ads itself, and the company is rolling out new ad-targeting technologies. The research firm eMarketer calculates that in 2007, MySpace will sell \$525 million worth of advertising, 58% of the social-networking industry's total. (Facebook will sell \$125 million—less than a quarter as much.) One huge upcoming opportunity, says DeWolfe, is ad-supported MySpace on mobile phones.

MYSPACE'S BEVERLY HILLS OFFICES feel much like those of a studio or a record label, where well-dressed, trendy twentysomethings queue up for bagels in the cafeteria at 10 A.M. and banter about last night's party or concert. Movie posters line the fuchsia walls in the reception area. In the sofa-filled lounge that substitutes for an executive conference room, a table is covered with magazines: *Hollywood Reporter*, *Variety*, and *Daily Variety*—nothing else. It's probably the only major technology company with valet parking.

What gets MySpace people excited is finding a new band or locking in exclusive online rights to a hot TV show. "Our core competency," says DeWolfe, "is finding the best content out there—from tier-A professional content down to emerging content—licensing it, and bringing it on MySpace." There are deals with the NBA, NBC, and the creators of *Thirtysomething* to debut a new series on MySpace before it appears on TV. MySpace can make money both by charging content owners for distribution and by finding and promoting its own material. In fact it actually has a MySpace record label, which signs musicians who bubble up on the service, and will probably es-