Chapter 1.19
Mobile Social Networks:
A New Locus of Innovation

Nina D. Ziv
New York University, USA

ABSTRACT

This chapter discusses how virtual social networks have evolved from their original purpose of being online meeting places where people interact with one another to becoming an important locus for innovation. It delineates the salient characteristics of these networks (both Web-based and mobile) and suggests that the advent of these networks has shifted the balance of value creation away from traditional companies and towards the creation of companies which provide technology platforms and services for user-centric innovation. The chapter discusses how users on these virtual networks have become important sources of innovation in a variety of ways: they develop content which they share with others and participate in virtual community centers; they interact with companies who are developing products and provide valuable feedback; and they are the impetus for the creation of new kinds of marketing tools as businesses try to tap into these virtual networks in order to better understand what products will sell to these users. In addition, the chapter discusses the implications of these developments for managers, especially those in content-intensive industries such as financial services and media. Examples will be given to support these ideas from case studies on Upoc, a New York City-based mobile services company which hosts social networks for a wide variety of users; Dodgeball, another New York City-based company (recently acquired by Google) which is one of the pioneers in the mobile social networking arena; and Tapuz Mobile, an Israeli-based social network.

INTRODUCTION

During the mid-1990s, the Internet emerged as a robust technological platform and almost immediately gained traction as a value creation engine. Firms in such diverse industries as financial services, media, and healthcare, began to invest their resources in generating unique digital-based products and services into their cadre of physically-based businesses (Andal-Ancion, Cartwright, & Yip, 2003). Indeed, managers at such firms recognized that technology-enabled innovation was now an essential part of

their firm's strategy (Freeman & Soete, 1999). These new users of technology also realized that in order to compete with companies that were basing their business models on digital products, they would have to venture beyond their traditional, circumscribed organizational structures which resided in brick and mortar environments and tap into the resources that existed in a larger more networked business environment (Gemunden, Ritter, & Heydebreck, 1996).

As the locus of innovation shifted from so-called 'brick and mortar' delineated companies to a more networked ecological model, a further organizational shift occurred toward a more powerful user presence within these networks. Various types of online communities appeared including special interest groups such as usenet groups; professional associations and online forums where people could exchange ideas on specific topics of interest to them; portals which provided a single point of entry for individuals and businesses to interact with one another; chat rooms, where users sought new communities and contacts; and short-term groups where users participated in one time events such as online competitions, quizzes and polls (Hamman, 2001). These communities consisted of individuals who might be scattered geographically but used the Internet as a platform for discussion. Howard Rheingold, who pioneered such online communities, defined them as "… cultural aggregations that emerge when enough people bump into each other often enough in cyberspace" (Rheingold, 1994). Some of these communities had moderators and others were more dependent on users to keep them going. For example, The Well which still exists, is essentially an online set of forums which are available to users who pay a monthly fee to participate in discussions on such wide-ranging topics as entertainment and media, computer tools, and politics (www.well.com/aboutwell.html). These online communities were initially only accessible through Web sites and therefore uni-dimensional from a technological point of view.

More recently, there has been growth in companies on the Internet which have focused on the development of virtual social networks. Such networks range in purpose from being purely social in nature to those which are commercially oriented with content development being a key purpose for these networks. Thus, such companies as Facebook and MySpace have reached out to users in the 18-24 year-old range who create their own content, for example, personal profiles, photos, blogs, and journals and share it as well as other aspects of their lives with their friends as well as with the rest of the world (Hansell, 2006). Ryze and LinkedIn have enabled business users to establish networks of business associated and potential clients. While these virtual social networks are intrinsically interesting as places where young people socialize with one another in an online setting and are seen by marketeers as a perfect target for advertising products and services designed specifically for this population (Elliott, 2007), more importantly, they have become a new and fertile locus for innovation.

This chapter will explore the development of mobile social networks, a subset of virtual social networks. In an initial study of online social networks (Ziv & Mulloth, 2006) social networking companies were plotted along two matrices: technological and purpose (Figure 1). On the technological matrix, social networks were plotted along an axis which ranged from Web-based to mobile-based and included a middle ground, that is, a hybrid scenario where social networking companies incorporated both the Web and the mobile platform.

It is clear from this chart that mobile social networks are in the minority in the overall social networking industry as presently constituted. However, this chapter will discuss how this subset of companies is at the forefront of innovation in social networking. It will delineate the salient characteristics of these networks and discuss how users who populate these networks have become significant sources of innovation in several ways:

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