



# Analyst Insight

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## By the end of 2012, 950m users will be accessing social networking sites via mobile devices

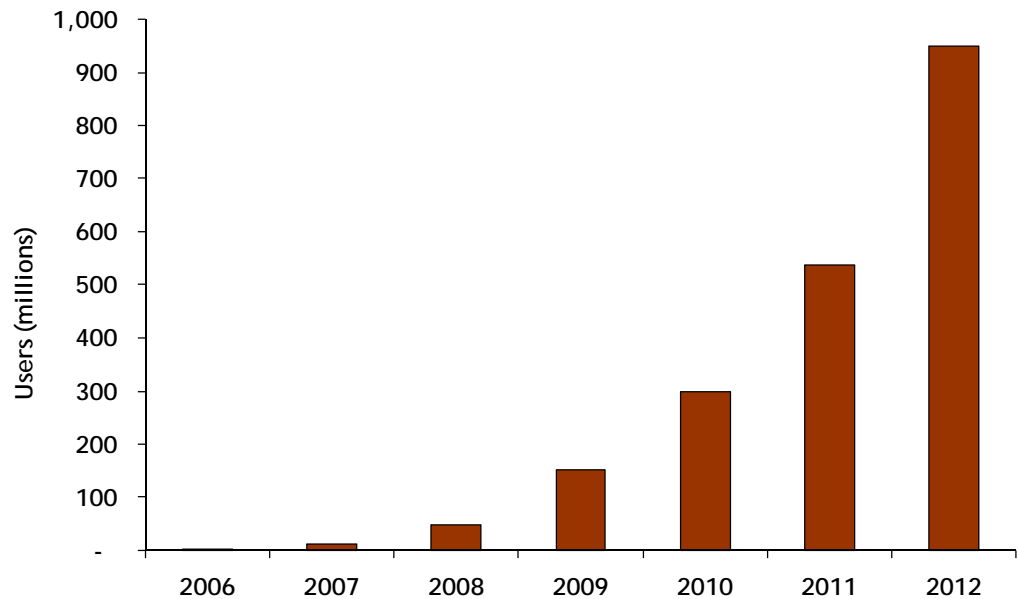
By: Elizabeth Bramson-Boudreau, Consultant; Leslie Arathoon, VP of Research

Today's active social networking members represent more than one-third of the total worldwide Internet user base, for a figure of 530m members worldwide. Looking ahead, Pyramid Research expects social networking sites (SNSs) to gain prominence as they add increased functionality and more people are introduced to them by friends and acquaintances. As social networking develops as an industry, mobility will play a vital role in shaping the future. There are strong forces bringing SNSs and mobility together, including the industrywide trend toward presence and personalization. **The ability of members to access a social networking site from anywhere will enhance the utility of the SNS and thus boost the amount of advertising revenue that it can generate. For mobile operators, SNS could greatly increase mobile data usage, which has so far been lackluster in most markets, and open the door to new revenue streams from subscription fees or advertising.** To that end, a broad range of handset suppliers, network equipment providers and software developers have been making progress in addressing technical obstacles to mobile social networking – such as the need for bandwidth, devices and browsers.

Pyramid Research believes that the opportunity for mobile social networking is rich; key technical issues are being addressed, and both of the main stakeholder groups are motivated toward a joint future – as are consumers. Pyramid Research expects 2008 to be another building year, with operators and SNSs continuing to confront technical, commercial and market challenges. **By 2009 and 2010, however, mobile social networking should become increasingly popular – with uptake seen not just in the US market, but globally. Hence, we forecast 300m mobile social networking users by 2010, representing 7% of worldwide mobile subscribers. By 2012, we expect roughly 18% of mobile users, the equivalent of 950m users, worldwide to be accessing at least one social networking site via their mobile device (see Exhibit 1).**

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Exhibit 1: Worldwide mobile social networking users, 2006-2012



Source: Pyramid Research

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With these subscriber adoption figures in mind, Pyramid Research has analyzed the revenue opportunity for mobile operators engaged in social networking services. Although most industry observers speak of the online advertising opportunity as the “holy grail,” Pyramid Research’s analysis found that in fact it is the increase of mobile data usage that will contribute the most to operator financials. Indeed, if the offerings available to subscribers are compelling enough to justify high data usage — flat-rate or pay-as-you-go — the rewards for operators could be significant.

Yet despite the clear financial rewards of mobile social networking, there is risk that operators will be disintermediated or cut off from their customers through flat-rate Internet access or, more broadly, the rise of asynchronous communications over synchronous channels. Pyramid Research believes this future can be avoided so long as mobile operators keep in mind a vital imperative as they move forward with their strategies: to continue to delight their customers by enhancing their everyday experiences.

This Analyst Insight is an excerpt from Pyramid Research's report  
*Social Networking Goes Mobile*

Published in February 2008, this report examines the social networking business model and analyzes its future, including forecasting the number of social networking members expected globally by 2012. In addition, this report assesses the current and future state of mobile social networking, whereby members access their favourite sites using their mobile device. In particular, we analyze the rationale for both stakeholder groups – the social networking sites and the mobile operators – to collaborate in offering mobile social networking services, including the potential revenues mobile operators can gain from adding social networking to their offerings.

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## About Pyramid Research

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For 20 years, Pyramid Research has helped companies in the converging communications, media, and technology industries stay ahead of market trends, understand competitive threats, and capitalize on opportunities. We advise the world's leading vendors, service providers, equipment manufacturers, and the financial community on how to implement best practices, build successful growth strategies, and drive profitability. Pyramid Research's coverage includes over 90 countries, with specialized research in mobile/fixed communications, media, content, and Capex & Opex.