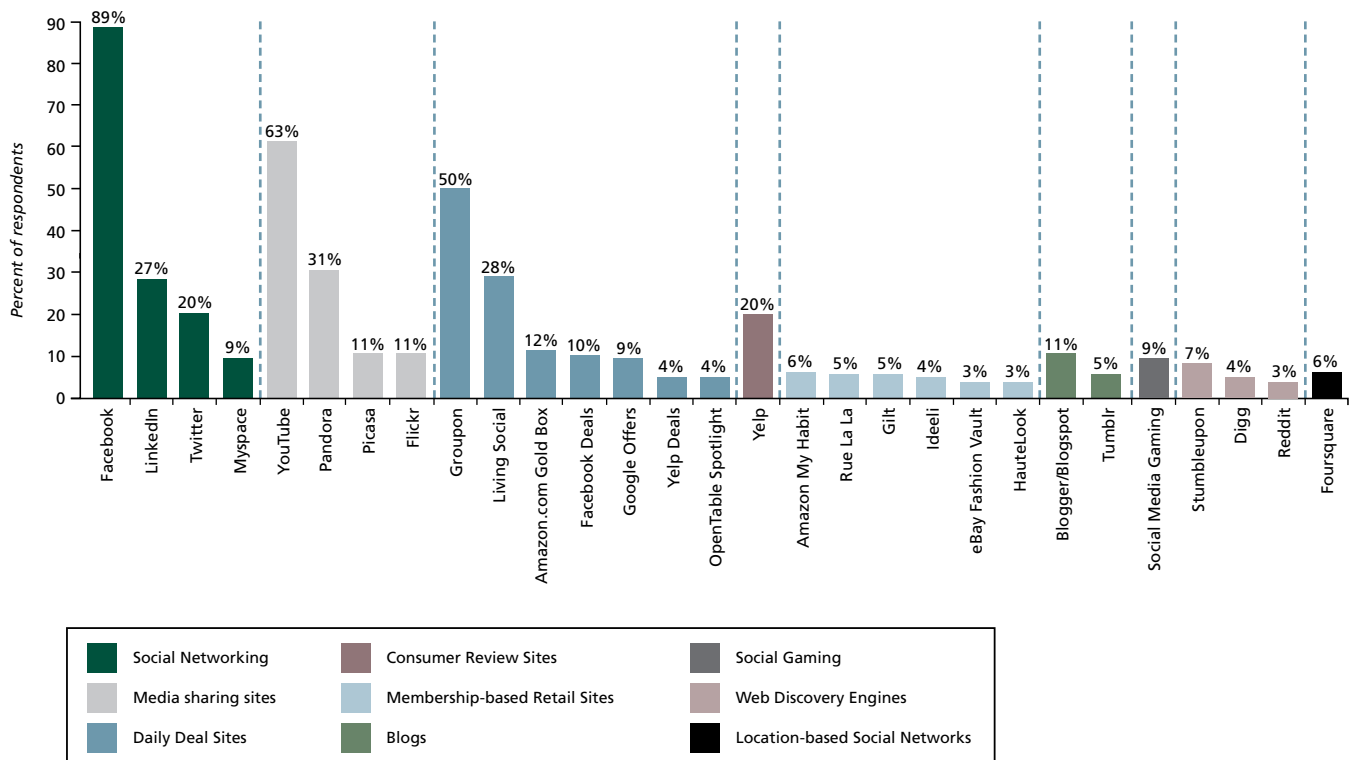


Social Media Tools on the Rise – and Those Slipping into Decline

What's the life cycle of a social network? One only has to look at a site like Friendster to understand how quickly a social tool can rise and fall in popularity. With 63% of consumers logging on to social networks at least once a day, there's no doubt these sites are key to companies' customer engagement. But businesses are faced with a dizzying array of choices when trying

to focus their efforts. L.E.K. Consulting has identified which social platforms are critical now and predicted to grow in the future, providing a primer on tools to invest in and ones to avoid. L.E.K.'s survey of 2,000 U.S. consumers found Facebook, YouTube and Groupon are the most popular social sites overall (see Figure 1), and others are growing in importance.

Figure 1
Are You a Registered Member of Any of the Following Social Media Sites or Services?

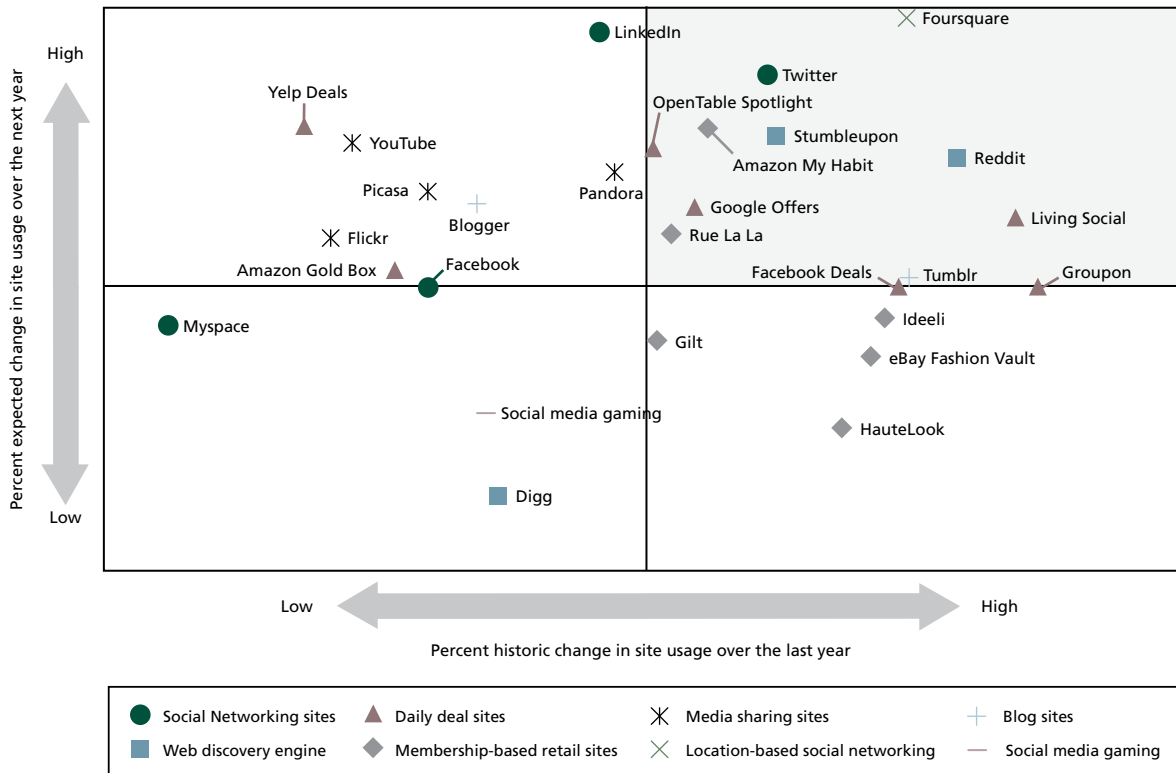


Source: L.E.K. Social Media Survey

Social Media Tools on the Rise – and Those Slipping into Decline was written by **Dan Schechter**, a Vice President and Head of L.E.K.'s Global Media, Entertainment & Technology Practice; and **Alan Lewis**, a Vice President at L.E.K. Please contact us at strategy@lek.com for additional information.

Facebook is by far the most popular site visited by social media users, with 89% reporting usage and around 50% of them visiting the site multiple times per day. The network is likely to see continued growth in the coming year, with consumers estimating around average growth in use going forward (see Figure 2). Myspace is clearly losing share and in decline; of all the services studied by L.E.K. it had the least amount of growth in the last year. While Facebook far outranks it in popularity, Twitter has the most growth momentum among social networking sites, with usage up nearly 18% over last year (to reach 20% penetration with consumers).

Figure 2
Reported Historical and Expected Site Usage



Source: L.E.K. Social Media Survey (August 2011)

Media sharing sites like YouTube, Pandora and Flickr are popular (63% of consumers use YouTube) but their growth has slowed recently in comparison to other sites like Twitter and web discovery engine Reddit. Consumers are flocking to daily deal sites like Groupon and LivingSocial, which garner participation from 50% and 30% of social media users, respectively. LivingSocial has the most momentum among these sites, with consumer use predicted to grow significantly after increasing nearly 24% in the last year. While daily deal sites are growing more popular with consumers, companies must carefully evaluate if they can obtain an incremental revenue lift from daily deals before engaging with these sites (see *The Danger and Promise of Daily Deal Sites Executive Insights* for more information).

Yelp is also emerging as a powerful way for brands to connect meaningfully with consumers thanks to its rich store of customer reviews. While only 20% of respondents report using the site, they also find Yelp to be the most useful social media resource in helping them select a product or brand, and rate it almost as highly as search engines. Yelp's high ratings reinforce the importance of user reviews and endorsements to consumers' purchase decision-making.

Surprisingly, the social platform that is expected to have the strongest growth in usage is Foursquare. While only about 6% of consumers report using the site now, it is expected to grow faster than other sites in the coming year. Despite Foursquare's

strong momentum, L.E.K.'s research shows that it holds little value for businesses other than restaurants and bars. Forty-seven percent of consumers said they have visited restaurants or bars because they found out about them through Foursquare or other location-based networks. Conversely, it was far less influential on consumer purchases across all other sectors, with only 13% of users reporting that it drove them to purchase apparel and 8% citing that it led them to purchase footwear, sporting equipment, and toys and games.

However, this could change as more location-based tools explore partnerships like the one geo-coupon app Shopkick just inked with Visa, which will offer users rewards for swiping their Visa debit or credit card at participating retailers. Foursquare pursued a similar strategy with American Express earlier this year, and as more retailers become involved, these developments may enhance the commercial relevance of location-based tools across a wider set of categories in the future.

It is clear that in today's social landscape, some neighborhoods are gentrifying while others are in decline. Companies need to understand which tools will yield the greatest consumer engagement to ensure that their social investments bear fruit. L.E.K.'s analysis provides insight into which platforms are leaders now and which are slated to grow in the near future. But it also offers a reminder: As quickly as social sites rise, they can fall, and companies should keep a constant watch on this ever-moving landscape.

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