

'MySpace winner in London Business School Battle for today's Virtual Community Strategy Game

March 7, 2007, London - Which social networking Internet site has the best model for generating ongoing revenue? MySpace was declared the winner in the fight for revenue amongst the four major social networking communities during a day of intense role-play amongst Sloan Fellows and Executive MBA and Executive MBA-Global students at London Business School (Tuesday 6 March). MySpace emerged as the social networking community ahead of its rivals YouTube, Facebook and Second Life.

This sort of role playing, which has taken place previously at both London Business School and the Massachusetts Institute of Technology, has shown itself to be quite prescient in projecting real-world competitive trends.

The four teams were first asked to devise their strategies for gaining and maintaining competitive advantage. They were then presented with a 'what if' scenario – suppose that Apple Corp launches iTown? This would be an on-line community for subscribers to its iTunes site? The site will help Apple compete with Google's YouTube, which has been adding commercial content and has now linked with the BBC to provide entertainment and news channels.

All four teams came back with robust strategies, but the MySpace team emphasised that 'content is king', and MySpace is rich in content. They suggest, in this projected scenario, that MySpace may need Apple, but Apple also needs MySpace as the company with the largest, richest social networking site on the Web, with 130 million participants.

The eight students who comprised the team of MySpace executives were placed first by a panel of judges drawn from commerce and the media. In their summary, the judges advised the students they could have gone even further in considering ways for monetising their companies. They also believed that the four companies represented in the room may not be the leaders in five years' time – or at least not in the same form as the companies existing today. New propositions, new ways to attract communities will emerge. The communities will most likely exist through the mobile phone world, and through the family entertainment centre.

Some **predictions** emerging from the day are:

- **Apple**, or a similar vendor, will likely enter the social networking space in the near future and upset the balance or dominance struck by YouTube and MySpace. The iTunes platform offers Apple a great opportunity to grow and find other ways to monetise a social networking site with Apple's "cool factor."
- **Second Life** will likely break out and offer a number of breakthrough applications that will catch fire.
- **Facebook** is going to face a growth crisis and may reach a plateau in the near future. It is reaching in to the MySpace upper age range of the current population and will bump in to other networking sites on the corporate end that may stymie its growth, such as Linked-In a company not included in the LBS game. It will also run into sites, such as EONS, that is specifically geared for the 50-plus social networkers.
- **YouTube** will need to figure out a strategy to truly monetise its site. At the moment it earns little, compared to its giant parent, Google. YouTube will continue to grow but will not necessarily be a threat to Apple, which itself must figure out new ways to grow its revenue. At the moment iTunes exists because of iPod. iPod is where Apple makes most of its money and iTunes is the platform that allows it to do so.

This is the second year running that London Business School has invited competitive intelligence and business gaming specialists, Fuld & Company, to devise and facilitate for students a day of what are commonly called competitor war games. Businesses around the globe are increasingly using war gaming to help them get under the skin of their competitors and thus devise strategies for gaining the competitive advantage.

Competitor strategy games are normally held in great secrecy, but these role-play events allow the techniques to be showcased to a wider audience.

Andrew Brennen, Sloan Programme Manager at The London Business School, explained "We very much welcome the opportunity for the real world to be integrated into our courses. Our students find the in-depth background briefings and guidance by the facilitators during the day's role play immensely interesting and stimulating. And it's very revealing how accurate the strategies they devise turn out to be. Last year the winning team represented Apple and their vision of the future of the corporation was later echoed in real life".

Teams representing YouTube, MySpace, Facebook and Second Life battled it out to create a business strategy that would create the revenues needed to justify what were, in two cases, enormous purchase prices.

Founder of Fuld & Company, Leonard Fuld, said "It is our experience that these simulated competitor strategy 'games' – which we have run on both sides of the Atlantic, at Harvard together with MIT, and here at The London Business School – are a good approximation of reality and the results frequently predict what will happen in the commercial world within six months".

Ends

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