Chapter 6.12
Business Models for On–Line Social Networks: Challenges and Opportunities

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ABSTRACT

With the increasingly ubiquitous nature of social networks and Cloud computing, users are starting to explore new ways to interact with and exploit these developing paradigms. Social networks reflect real world relationships that allow users to share information and form connections, essentially creating dynamic virtual communities. By leveraging the pre-established trust formed through friend relationships within a social network “Social Clouds” can be realized, which enable friends to share resources within the context of a social network. The creation of Social Clouds gives rise to new business models through collaboration within social networks. In this paper, the authors describe such business models and discuss their impact.

1 INTRODUCTION

The Internet and the World Wide Web has profoundly changed society and business – in education, healthcare, research, defense and economy. The underlying computing and communication infrastructure which has enabled these changes is now being used to support a “service-oriented” computing economy. The resulting markets that we envision will enable both owners of home computers and established business to trade their excess capacity for a variety of incentives (such as monetary rewards, service credits, software maintenance contracts, advertising revenue etc) and enable the creation of capability by aggregating software services from multiple providers. In
the same way, economic models associated with 
social media on the Internet have been driven by 
user numbers; hence the greater the number of 
individuals that can be attracted to visit a Web site, 
the greater the likelihood that an advertiser will 
be able to attract them to their own Web portal. 
Whereas search engines have primarily focused 
on associating advertisements with responses re-
turned from user queries, social networking sites 
are able to take advantage of interconnectedness 
between users and the various information that 
users selectively reveal about their interests to 
the social network site.

According to a report by the Office of Commu-
nications (Ofcom) in the UK (Ofcom, 2008), adult 
social networkers use a variety of sites, with the 
main ones being Bebo, Facebook and MySpace. 
The report indicates that it is common for adults 
to have a profile on more than one site – with each 
adult having a profile on 1.6 sites on average. Of 
the social networking sites surveyed in the report, 
it was found that 39% of adults have profiles on 
two or more sites. Half of all current adult social 
networkers say that they access their profiles at 
least every other day. The site people choose to use 
varies depending on the user. Children are more 
likely to use Bebo (63% of those who have a social 
networking site profile), and the most popular site 
for adults is Facebook. There is also a difference 
between socio-economic groups: ABC1s with a 
social networking profile were more likely to use 
Facebook than C2DEs, who were more likely to 
have a profile on MySpace. According to Alexa.
com the top social networking sites are Facebook, 
QQ (from China) and Twitter.

Major software vendors such as Microsoft 
and Google are adopting the “social” model of 
interaction within their software. For instance, 
Microsoft Office 2010 integrates “social connec-
tions” with on-line services. Integrating enterprise 
computing software with mobile devices (such as 
Google’s Android phones) also facilitates social 
collaboration between users in a way that was 
not previously possible with enterprise manage-
ment systems, and provides a useful model of 
feedback and interaction between employees of 
an organisation. In the same context (Black & 
Jacobs, 2010; Black et al., 2010) provide case 
studies to demonstrate how social media may be 
used to improve software quality – where “qual-
ity” can be measured in a number of ways – and 
includes: fitness for purpose, on time and budget 
delivery, user interaction experience, delivery in 
accordance with project management process, and 
new understanding gained from engagement with 
the project. They demonstrate how user interaction 
design (during software development and beta 
testing) can be used to generate better customer 
satisfaction, and in particular how social media 
enables an organization to build a distributed 
knowledge base and increase employees’ sense 
of connection to the company’s initiatives and 
each other.

2 EMERGENCE OF 
SOCIAL NETWORKS AND 
CLOUD COMPUTING

Social networking has become an everyday part 
of many peoples’ lives as evidenced by the huge 
user communities that are part of such networks. 
Facebook, for instance, was launched in Febru-
ary 2004 by Harvard undergraduate students as 
an alternative to the traditional student directory. 
Intended to cover interaction between students 
at Universities – Facebook enables individuals 
to encourage others to join the network through 
personalised invitations, friend suggestions and 
creation of specialist groups. Today Facebook 
has a much wider take up than just students at 
Universities. Facebook now facilitates interaction 
between people by enabling sharing of common 
interests, videos, photos, etc. Some social network 
populations exceed that of large countries, for 
example Facebook has over 350 million active 
users. Social networks provide a platform to fa-
cilitate communication and sharing between users,
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