



ILLUSTRATION 1.1

MySpace becomes part of a bigger network

Social networking site MySpace presents opportunities and challenges for the global media conglomerate News Corporation.

The social networking site MySpace was founded in California in 2003 by MBA graduate Chris DeWolfe and rock musician Tom Anderson. From the first, the networking site was strong on music, and helped launch the careers of the Arctic Monkeys and Lily Allen. By 2005, it had 22 million members, with more page views than Google. That was the point when the multinational media conglomerate News Corporation bought it for \$580m (€406m).

News Corporation started in Australia in the newspaper business, acquiring the *Times* newspaper group in the United Kingdom and the *Wall Street Journal* in the United States. It also diversified into television (for example Fox News and BSkyB) and film, including 20th Century Fox, responsible for the hit film *Avatar*. Its chairman is Rupert Murdoch, whose family owns a controlling interest: Rupert Murdoch's son James is expected to succeed him at the top.

In 2005, with media audiences increasingly moving to the internet, Rupert Murdoch declared his ambition to create 'a leading and profitable internet presence'. The acquisition of MySpace seemed a good fit. Chris DeWolfe and Tom Anderson were retained at the head of MySpace, but within a new division providing oversight for all News Corporation's internet interests. Ross Levinsohn, long-time News Corporation insider and head of the new division, told the *Financial Times*: 'The MySpace guys were really freaked out that we were going to come in and turn it into Fox News. One of the things we said was: "We're going to leave it alone".'

Some adjustments had to be made. Tom Anderson told *Fortune* magazine: 'Before, I could do whatever I wanted. Now it takes more time to get people to agree on things. All the budget reviews and processes. That can be a pain. But it's not stopping us.' News Corporation was able to fund a more robust technology platform to cope with the thousands of new users MySpace was getting each day. In 2006, MySpace signed a three year advertising contract

with Google worth \$900m, which paid for the original acquisition with money left over. Executives summed up MySpace's distinctive positioning by saying: 'Your mom uses Facebook'.

But business then got tougher. Facebook overtook MySpace in terms of unique visitors in 2008. News Corporation executives complained about the excessive new initiatives at MySpace and the failure to prioritise: DeWolfe and Anderson were even considering launching their own film studio. Then Rupert Murdoch announced a target of \$1bn in advertising revenues for 2008, without consulting DeWolfe. MySpace missed the target by about 10 per cent. The push from News Corporation to increase advertisements on MySpace, and a reluctance to remove pages with advertising from the site, began to make MySpace increasingly less attractive for users.

During 2009, MySpace's share of the social networking market fell to 30 per cent, from a peak of 66 per cent. The company missed the online traffic targets set by the Google contract. Losses were expected to be around \$100m. In March, Chris DeWolfe was removed as Chief Executive of MySpace. The new Chief Executive was Alan Van Natta, from Facebook. Van Natta told the *Financial Times* that MySpace was no longer competing with Facebook: 'we're very focused on a different space . . . MySpace can foster discovery [of music, films and TV] in a way that others can't'.

Sources: M. Garnham, 'The rise and fall of MySpace', *Financial Times*, 4 December 2009; P. Sellers, 'MySpace Cowboys', *Fortune*, 29 August 2006; S. Rosenbusch, 'News Corp's Place in MySpace', *Business Week*, 19 July 2005.

Questions

- 1 How valuable is MySpace's distinctive position in the social networking market?
- 2 How should News Corporation have managed MySpace?