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Social Media Will Change Your Business

Look past the yakkers, hobbyists, and political mobs. Your customers and rivals are figuring blogs out. Our advice: Catch up...or catch you later

by [Stephen Baker](#) and [Heather Green](#)

Editor's note: When we published "Blogs Will Change Your Business" in May, 2005, Twittering was an activity dominated by small birds. Truth is, we didn't see MySpace coming. Facebook was still an Ivy League sensation. Despite the onrush of technology, however, thousands of visitors are still downloading the original cover story.

So we decided to update it. Over the past month, we've been calling many of the original sources and asking the [Blogspotting](#) community to help revise the 2005 report. We've placed fixes and updates into more than 20 notes; to view them, click on the blue icons. If you see more details to fix, please leave comments. The role of blogs in business is clearly an ongoing story.

First, the headline. Blogs were the heart of the story in 2005. But they're just one of the tools millions can use today to lift their voices in electronic communities and create their own media. Social networks like Facebook and MySpace, video sites like YouTube, mini blog engines like Twitter—they've all emerged in the last three years, and all are nourished by users. Social Media: It's clunkier language than blogs, but we're not putting it on the cover anyway. We're just fixing it.

Monday 9:30 a.m. It's time for a frank talk. And no, it can't wait. We know, we know: Most of you are sick to death of blogs. Don't even want to hear about these millions of online journals that link together into a vast network. And yes, there's plenty out there not to like. Self-obsession, politics of hate, and the same hunger for fame that has people lining up to trade punches on *The Jerry Springer Show*. Name just about anything that's sick in our society today, and it's on parade in the blogs. On lots of them, even the writing stinks.

Go ahead and bellyache about blogs. But you cannot afford to close your eyes to them, because they're simply the most explosive outbreak in the information world since the Internet itself. And they're going to shake up just about every business—including yours. It doesn't matter whether you're shipping paper clips, pork bellies, or videos of Britney in a bikini, blogs are a phenomenon that you cannot ignore, postpone, or delegate. Given the changes barreling down upon us, blogs are not a business elective. They're a prerequisite. (And yes, that goes for us, too.)

There's a little problem, though. Many of you don't visit blogs—or haven't since blogs became a sensation in last year's Presidential race. According to a [Pew Research Center Survey](#), only 27% of Internet users in America now bother to read them. So we're going to take you into the world of blogs by delivering this story—call it Blogs 101 for businesses—in the style of a blog. We're even sprinkling it with [links](#). These are underlined words that, when clicked, carry readers of this story's online version to another Web page. This all may make for a strange experience, but it's the closest we can come to reaching out from the page, grabbing you by the collar, and shaking you into action.

First, a few numbers. There are some 9 million blogs out there, with 40,000 new ones popping up each day. Some discuss poetry, others constitutional law. And, yes, many are plain silly. "Mommy tells me it may rain today. Oh Yucky Dee Doo," reads only one April Posting. Let's assume that 99.9% are equally off point. So what? That leaves some 40 new ones every day that could be talking about your business, engaging your employees, or leaking those merger discussions you thought were hush-hush.

Give the paranoids their due. The overwhelming majority of the information the world spews out every day is digital—photos from camera phones, PowerPoint presentations, government filings, billions and billions of e-mails, even digital phone messages. With a couple of clicks, every one of these items can be broadcast into the blogosphere by anyone with an Internet hookup—or even a cell phone. If it's scandalous, a poisonous e-mail from a CEO, for example, or torture pictures from a prison camp, others link to it in a flash. And here's the killer: Blog posts linger on the Web forever.

Yet not all the news is scary. Ideas circulate as fast as scandal. Potential customers are out there, sniffing around for deals and partners. While you may be putting it off, you can bet that your competitors are exploring ways to harvest new ideas from blogs, sprinkle ads into them, and yes, find out what you and other competitors are up to.

More tomorrow.

Tuesday 6:35 a.m. How big are blogs? Try Johannes Gutenberg out for size. His printing press, unveiled in 1440, sparked a publishing boom and an information revolution. Some say it led to the Protestant Reformation and Western democracy. Along the way, societies established the rights and rules of the game for the privileged few who could afford to buy printing presses and grind forests into paper.

The printing press set the model for mass media. A lucky handful owns the publishing machinery and controls the information. Whether at newspapers or global manufacturing giants, they decide what the masses will learn. This elite still holds sway at most companies. You know them. They generally park in sheltered spaces, have longer rides on elevators, and avoid the cafeteria. They keep the secrets safe and coif the company's message. Then they distribute it—usually on a need-to-know basis—to customers, employees, investors, and the press.

That's the world of mass media, and the blogs are turning it on its head. Set up a free account at [Blogger](#) or other blog services, and you see right away that the cost of publishing has fallen practically to zero. Any dolt with a working computer and an Internet connection can become a blog publisher in the 10 minutes it takes to sign up.

Sure, most blogs are painfully primitive. That's not the point. They represent power. Look at it this way: In the age of mass media, publications like ours print the news. Sources try to get quoted, but the decision is ours. Ditto with letters to the editor. Now instead of just speaking through us, they can blog. And if they master the ins and outs of this new art—like how to get other bloggers to link to them—they reach a huge audience.

This is just the beginning. Many of the same folks who developed blogs are busy adding features so that bloggers can start up music and video channels and team up on editorial projects. The divide between the publishers and the public is collapsing. This turns mass media upside down. It creates media of the masses.

How does business change when everyone is a potential publisher? A vast new stretch of the information world opens up. For now, it's a digital hinterland. The laws and norms covering fairness, advertising, and libel? They don't exist, not yet anyway. But one thing is clear: Companies over the past few centuries have gotten used to shaping their message. Now they're losing control of it.

Want to get it back? You never will, not entirely. But for a look at what you're facing, come along for a tour of the blogosphere.

Wednesday 7:38 a.m. Hmm. How to start this post? Idle talk about the weather, or maybe that red wine with dinner last night? No. Let's dive right in: One misstep and the blog world can have its way with you—even when the coolest, most tech-savvy companies are involved.

Google ([GOOG](#)) is regarded as a secretive company. So in January, when a young programmer named Mark Jen started blogging about his first days in the Googleplex, folks in the 'sphere instantly linked to him. Jen certainly wasn't dealing out inside dirt. But he griped that Google's health plan was less generous than his former employer's—Microsoft ([MSFT](#))—and he argued, indignantly, that Google's free food was an enticement for employees to work past dinner.

Two weeks later, Google fired Jen. And that's when the 22-year-old became a big story. Google was blogbusted for overreacting and for sending an all-too-clear warning to the dozens of bloggers still at the company. A Google official says the company has lots of bloggers and just expects them to use common sense. For example, if it's something you wouldn't e-mail to a long list of strangers, don't blog it.

Jen clearly flunked that test. "As the media got hold of it, I was quickly educated," he says. He says he should have understood the company's goals and concerns better and been more sensitive to them. Still, his adventure turned him into an overnight celebrity. He was wooed by recruiters at Amazon.com ([AMZN](#)), Microsoft, and Yahoo! ([YHOO](#)). A month later, Jen landed a job at Plaxo, an Internet contact-management company. A key part of his job, says a company spokesperson, is to help coordinate [Plaxo's blogging efforts](#)—a pillar of Plaxo's promotional strategy. So what got him fired turned out to be his trump card. Plaxo, like many other companies, is now drawing up norms for blogging behavior, so that employees know what's in bounds, and what's not.

2:22 p.m. It sounds like the joke answer on a multiple-choice exam. Name a leading company in blog communications: General Motors?

That's right. For a company that's slipping in the auto biz, GM is showing a surprisingly nimble touch with blogs. GM uses them on occasion to steer past its own PR department and the mainstream press.

In January, Vice-Chairman Bob Lutz launched his own [FastLane Blog](#). Bloggers applauded, and car buffs flooded Lutz with suggestions and complaints. Lutz posted lots of barbs from outsiders and won points for balanced responses. Like his answer to criticisms of new Pontiacs: "Did you take a look at seat tailoring? Carpet fits?... hood gaps, hem flanges? We used to be bad at those, too."

But Lutz is only part of GM's blog strategy. In April the company yanked \$10 million in advertising from the *Los Angeles Times* and demanded that the *Times* make retractions. Journalists asked GM for specific complaints, and the car company held off. It said it wanted to work quietly with the *Times* and not battle it out in the press.

How to get the word out through a back channel? GM directed journalists to a blog, [AutomoBear.com](#), that detailed GM's beef. (It had to do with a comparison between two cars, which GM thought was unfair.) Both GM and Miro Pacic, the blogger at AutomoBear, say that GM provided Pacic with information but that no money passed hands.

Fair enough. But even if GM doesn't pay for positive coverage in blogs, just consider the possibilities in this new footloose media world. There's little to stop companies from quietly buying bloggers' support, or even starting unbranded blogs of their own to promote their products—or to tar the competition. This raises all kinds of questions about the ever-shrinking wall between advertising and editorial. We'll cover that later, when we get to the blogs' impact on our own business—the media.

Thursday 8:56 a.m. It's the latest wrinkle on Descartes. I blog therefore I... consult. An entire industry is rising up to guide companies into this frightening new realm. And the consultants establish their brands and reps with their blogs.

Perhaps the biggest is Steve Rubel. A year ago, the exec at the PR firm CooperKatz & Co. started his blog, Micro Persuasion. He was already pushing such clients as WeatherBug and the Association of National Advertisers into the blog world. Then early one Sunday morning, as he recalls it, "my wife was sleeping, and I was sitting in the living room, laptop on my lap, and thinking if I am talking to clients and reading these blogs, I should jump in." When launching his site, he had the smarts to contact big shots such as Dan Gillmor, who was a leading blogger and tech reporter with the *San Jose Mercury News*. Gillmor linked to Rubel's site, and his traffic took off. It was great for his brand, and it also gave Rubel a blogger's education. "I became a living guinea pig for what I preach," he says.

Now Rubel is positioned as an all-knowing Thumper in a forest of clueless Bambis. The first job, he says, is to monitor the blogs to see what people are saying about your company. (An entire industry is growing to sell that service. Even IBM's ([IBM](#)) banging at the door.) Next step: Damage-control strategies. How to respond when blogs attack. He says companies have to learn to track what blogs are talking about, pinpoint influential bloggers, and figure out how to buttonhole them, privately and publicly.

He gives the example of Netflix ([NFLX](#)). When a fan blog called Hacking Netflix asked the company for info and interviews last year, Netflix turned it down. How could they make time for all the bloggers? Predictably, the blogger, Mike Kaltschnee, aired the exchange, and Netflix faced a storm of public criticism. Now Netflix feeds info to Kaltschnee, and he passes along what he's hearing from the fans. Sounds like he's half journalist, half consultant—though he insists Netflix doesn't pay him.

Friday 10:46 a.m. The question came up at a panel discussion last week: Any chance that a blog bubble could pop? The answer is really easy: no.

At least not an investment bubble. Venture firms financed only \$60 million in blog startups last year, according to industry tracker VentureOne. Chump change compared to the \$19.9 billion that poured into dot-coms in 1999. The difference is that while dot-coms promised to make loads of money, blogs flex their power mostly by disrupting the status quo.

The bigger point, which is blindingly obvious when you think about it, is that the dot-com era was powered by companies—complete with programmers, marketing budgets, Aeron chairs, and burn rates. The masses of bloggers, by contrast, are normal folks with computers: no budget, no business plan, no burn rate, and—that's right—no bubble.

The role of the blog startups is to build tools for this grassroots uprising. Six Apart, a four-year-old San Francisco company, leads in blog software. Technorati and PubSub Concepts are battling it out in blog search. The founders all insist that they plan to remain independent. But if recent history is any guide, most of them will wind up in the bellies of the blog-minded Internet giants—led by Google, Yahoo, and Microsoft. The latest to disappear was Flickr. A photo-sharing service that spread madly across the blog world, 13-month-old [Flickr](#) was still running its software in its beta, or testing, phase when it was acquired by Yahoo in March for an undisclosed

sum. [Caterina Fake](#), Flickr's co-founder, wrote about the deal in her blog the day it happened: "Don't forget to breathe. It's not the end, it's the beginning."

Monday 10:23 a.m. If this were a true blog, that last post would have generated a mountain of comments over the weekend, most of them with the same question: If there's no clear business model, why are the Internet giants so bent on getting a foothold in blogs? Look at it from their point of view. A vibrant community that has doubled in size in the past eight months is teeming with potential customers and has a mother lode of data to mine. "Blogs are what's causing the Web to grow," says Jason Goldman. He's project manager at Google's Blogger, the world's biggest service to set people up as bloggers.

David Sifry looks at it a bit differently. He's a serial entrepreneur and founder of Technorati, the blog search engine.

For Sifry, it's not the growth of the same Web, but an entirely new one. It's wrapped up far more in people's day-to-day lives. It's connected to time. The way he describes it, the Web we've come to know is mostly a collection of documents. A library. These documents don't change much. Try Googling Donald Trump, and you're more likely to find his Web page than a discussion of his appearance last night on *The Apprentice*.

Blogs are different. They evolve with every posting, each one tied to a moment. So if a company can track millions of blogs simultaneously, it gets a heat map of what a growing part of the world is thinking about, minute by minute. E-mail has carried on billions of conversations over the past decade. But those exchanges were private. Most blogs are open to the world. As the bloggers read each other, comment, and link from one page to the next, they create a global conversation.

Picture the blog world as the biggest coffeehouse on Earth. Hunched over their laptops at one table sit six or seven experts in nanotechnology. Right across from them are teenage goths dressed in black and thoroughly pierced. Not too many links between those two tables. But the café goes on and on. Saudi women here, Labradoodle lovers there, a huge table of people fooling around with cell phones. Those are the mobile-photo crowd, busily sending camera-phone pictures up to their blogs.

The racket is deafening. But there's loads of valuable information floating around this café. [Technorati](#), [PubSub](#), and others provide the tools to listen. While the traditional Web catalogs what we have learned, the blogs track what's on our minds.

Why does this matter? Think of the implications for businesses of getting an up-to-the-minute read on what the world is thinking. Already, studios are using blogs to see which movies are generating buzz. Advertisers are tracking responses to their campaigns. "I'm amazed people don't get it yet," says Jeff Weiner, Yahoo's senior vice-president who heads up search. "Never in the history of market research has there been a tool like this."

Tuesday 9:12 p.m. Back to that coffeehouse. Sitting at one large table is a collection of some of the most gifted geeks you can imagine. These folks built the blogosphere. And they're using it to link with each other. They share ideas, test them, and get them up and running in a hurry. Many of them transform the network itself, making it more muscular—and disruptive.

The innovation that sends blogs zinging into the mainstream is [RSS](#), or Really Simple Syndication. Five years ago, a blogger named Dave Winer, working with software originally developed by Netscape, created an easy-to-use system to turn blogs, or even specific postings, into Web feeds. With this system, a user could subscribe to certain blogs, or to key words, and then have all the relevant items land at a single destination. These personalized Web pages bring together the music and video the user signs up for, in addition to news. They're called "aggregators." For now, only about 5% of Internet users have set them up. But that number's sure to rise as Yahoo and Microsoft plug them.

In time, aggregators could turn the Web on its head. Why? They discourage surfing as users increasingly just wait for interesting items to drop onto their page or e-mailbox. Internet advertising, which traditionally counts on page views and clicks, could be thrown for a loop. Already Yahoo is packaging ads on the feeds. Google is testing the waters.

But here's the really insidious part. If you set up your own aggregator page, such as [my.yahoo.com](#), and subscribe to feeds, you soon discover that blog and mainstream postings mingle side by side. Feeds zip through the walls between blogs and the rest of the information world. Blog posts are becoming just part of the mix, swimming on the same page with the Associated Press, and yes, *BusinessWeek*.

Winer also ushered in a second tech breakthrough, podcasting. A back-and-forth between Winer and Adam Curry, a blogger and former MTV host, led last year to a system that easily distributes audio files. Looking for National Public Radio's *On the Media* or the latest ska compilations from a disk jockey in Trinidad? Sign up on a Web page, and the program gets automatically delivered to you—as an audio feed. Last summer, Curry created software called [iPodder](#) so these MP3s could hitch a ride on an iPod ([AAPL](#)). That was the birth of podcasting: radio programming whenever and wherever you want it. Since then, some 5,000 podcasting shows have sprouted up. They cover everything from yoga to the blues.

It's an overnight sensation. Before podcasting, only about 150 people a month bothered to download the audio files of [Morning Stories](#), a show on Boston's public station WGBH. After the station switched to podcasting in October? Eighty thousand. Chalk it up to the bloggers. They pushed podcasting to their own circles, and it grew from there.

11:48 p.m. One more idea. Think of TiVo ([TIVO](#)), think of the iPod. When you're using one of them, do you consider the company that provides the programming? CBS, for example? Not much. You're putting together your own package. The pieces come from lots of companies and artists. Often you don't even know where.

Aggregators do the same job for the Net. So, just like the record companies, which have figured out how to market bits and pieces of their albums as standalone songs and ringtones, the rest of the media and entertainment world is going to have to think small. Content, whether it's news or a Hollywood movie, is going to travel in bite-size nuggets. The challenge, for bloggers and giants alike, is to brand those nuggets and devise ways to sell them or wrap them in advertising.

Wednesday 6:31 a.m. A prediction: Mainstream media companies will master blogs as an advertising tool and take over vast commercial stretches of the blogosphere. Over the next five years, this could well divide winners and losers in media. And in the process, mainstream media will start to look more and more like—you guessed it—blogs. Clay Shirky, a Web expert at New York University, calls it "an absorption process where the thing doing the absorbing changes."

Take a look at blog advertising today, and it's hard to see a glittering future. Sure, enterprising bloggers make room on their pages for Google-generated ads, known as AdSense, and earn some pocket change. Some blog entrepreneurs, such as Nick Denton, publisher of New York's [Gawker Media](#), sell ads for everything from Nike to Absolut Vodka ([FO](#)). Popular blogs can land sponsorship deals for as much as \$25,000 per month, say consultants. O.K. money for an entrepreneur, but a rounding error in the ad industry.

Blog power simply doesn't translate yet into big bucks. For now, it's running mostly on people's passion to communicate—especially in developing markets. Consider [Hossein Derakhshan](#). He's a 28-year-old Iranian blogger based in Toronto. He has thousands of readers, and politicians respond to his postings—even as the Iranian

government frantically tries to shut down the servers hosting [his blog](#). Yet Derakhshan can't yet cash on his fame. "Google doesn't have AdSense service in Persian yet," he says.

Still, blogs could end up providing the perfect response to mass media's core concern: the splintering of its audience. Advertisers desperate to reach us need to tap niches (because we get together only once a year to watch the Super Bowl). By piggybacking on blogs, they can start working that vast blogocafé, table by table. Smart ones will get feedback, links to individuals—and their friends. That's every marketer's dream.

The big companies have what the bloggers lack. Scale, relations with advertisers, and large sales forces. They can use these forces to sell across all media, from general audience to bloggy niches. Already, Yahoo and Microsoft have been investing heavily to position themselves for niche advertising. And in February, the New York Times Co. ([NYT](#)) laid down \$410 million for About Inc., a collection of 500 specialized Web sites that smell strongly of blogs. "What's to stop them from turning those 500 sites into 5,000?" says Dave Morgan, founder of TACODA Systems, an Internet advertising company.

Thursday 9 a.m. Hate to get wiggy here. But if the blogs eventually swallow up ad revenue, what's going to happen to us?

Yes, we, too, are under the gun. MSM, the bloggers call us. Mainstream media. And many of them delight in uncovering our errors, knocking us off that big pedestal we've occupied since the first broadsheets started circulating.

We have to master the world of blogs, too. This isn't because they're taking away ad revenue, at least not yet, but because they represent millions of eyewitnesses armed with computers spread around the world. They are potential competitors—or editorial resources.

Blog reporters showed their value following the Asian tsunami in December. Thousands of them posted pictures, video footage, and articles about the disaster long before the first accredited journalists showed up. MSNBC, which ran hours of tsunami footage on its Web site, has since opened an [entire page](#) devoted to citizens' journalism.

[Dan Gillmor](#), who quit his San Jose newspaper job, is lining up investors for a new type of media company, Grassroots Media. He's interested in elements of an online journalism business in Korea, called OhmyNews. It mingles articles from 50 staff journalists with reports e-mailed and text-messaged in from thousands of citizen reporters. OhmyNews says it has been profitable for a year and a half and expects revenue this year of \$10 million. "I keep hoping that all of the new conversational forms will augment the existing one," Gillmor says.

11:57 p.m. Thinking out of the box here for a minute. What would this article look like if it were a real blog, and not just this glossy simulacrum?

Think of the way we produce stories here. It's a closed process. We come up with an idea. We read, we discuss in-house, and then we interview all sorts of experts and take their pictures. We urge them not to spill the beans about what we're working on. It's a secret. Finally, we write. Then the story goes through lots and lots of editing. And when the proofreaders have had their last look, someone presses the button and we launch a finished product on the world.

If this were a real blog, we probably would have posted our story pitch on Day One, before we did any reporting. In the blog world, a host of experts (including many of the same ones we called for this story) would weigh in, telling us what's wrong, what we're overlooking. In many ways, it's a similar editorial process. But it takes place in the open. It's a discussion.

Why draw this comparison? In a world chock-full of citizen publishers, we mainstream types control an ever-smaller chunk of human knowledge. Some of us will work to draw in more of what the bloggers know, vetting it, editing it, and packaging it into our closed productions. But here's betting that we also forge ahead in the open world. The measure of success in that world is not a finished product. The winners will be those who host the very best conversations.

Friday 11 a.m. So why not start here? We've done our research on blogs, made our dire pronouncements. Pretty soon, someone in production will press the button. But this story should go on, as a conversation. And it will, starting on Apr. 22. We're launching our own blog to cover the business drama ahead, as blogging spreads into companies and redefines media. The blog's name? [Blogspotting.net](#). See you there.

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