

LinkedIn and The Future of Business Networking



Written by [Bernard Lunn](#) / November 16, 2007 1:57 PM / [15 Comments](#)



In the heyday of the [Facebook hype](#) (it seems so long ago now!), Facebook was going to eat [LinkedIn's](#) lunch. Based on recent experience, I don't think so.

I recently had reason to use LinkedIn seriously, using my existing network to tap into a market that I had not previously been exposed to. I had not used LinkedIn since the early days, so this was my first serious update.

I have NOT used Facebook seriously. I registered out of curiosity about the phenomenon and found that the only network I could join was based on zip code - and that was useless. Then Read/WriteWeb set up [a group on Facebook](#), but I looked once and left. When I want the Read/WriteWeb network, I go to the site itself. So please take my comments on Facebook with a large lump of salt; but Fred Wilson too has made a [more determined effort to use Facebook](#) and he has been disappointed. If there are technology entrepreneurs on Facebook, you would think they would respond to an ad from one of the leading VCs in the social media space saying "be my friend".

If Fred had used LinkedIn, he would have gotten a big response; possibly too big and that is a filtering issue that LinkedIn seems sensitive to. LinkedIn has definitely been useful for me. It is not a silver bullet, but when used with respect for real world relationships it has served one very important purpose - I can meet my objectives with the minimum of intrusion on my contacts. I can search for the contacts/companies that I want to reach and find who has a relationship and ping them for help.

This is far more efficient than spamming all my contacts with a mass email saying "anybody know anybody in this role at these companies?" That would probably get a quick response but would rapidly deplete my 'relationship capital'. It is also more effective than guessing who would have the right contacts. In LinkedIn I have been constantly surprised by contacts that I would never have guessed would be useful.

LinkedIn Reaches Nearly 80% of My Contacts

LinkedIn links to Webmail services such as Gmail, Yahoo and AOL, which is a very effective way to increase their network scale. The Gmail link enabled me to see which contacts were already in LinkedIn and send them a request to connect via LinkedIn. Bearing in mind the 'connection pollution' problem, I was careful to only invite people who I have a real relationship with. I left out the weak connections.

This also served a bit like a Plaxo update. I had old emails for people who had changed jobs; LinkedIn automatically showed me where they work now (I assume based on email forwarding). This email link is very powerful and illustrates the point that Fred Wilson made about [email systems having the most accurate social graph](#).

Leaving out duplicates and non-business contacts, I estimate that close to 80% of my business contacts use LinkedIn. The people who were NOT in LinkedIn were either a) young or not in business, or b) older. The latter was interesting. Some of the people with the most clout and large networks accumulated over decades in business were not in LinkedIn; probably a mix of technophobia and lack of need. That's OK, my phone still works fine :-)

The key point is that around 80% of my business contacts were in LinkedIn (perhaps not 80% by value given the point about senior people not being there). If other people have this experience it is pretty significant. This sounds like a network tipping point/chasm crossing, or whatever we call it now.

Limitations on LinkedIn's Value

However there are a couple of reasons why LinkedIn - while useful - may not become a highly valuable business. There are rumors they are looking at an IPO, so then we will find out the real numbers. Until then, here are two observations that indicate limitations on valuation:

1. LinkedIn mirrors real world relationships but does not change them. [I assume the same is true on Facebook](#). More to the point, attempts to use LinkedIn to change real world relationships can be counterproductive.

I found a few people who seemed as if they were almost "professional" LinkedIn users. Their names came up constantly as connections. They had 500+ connections (LinkedIn shows the number of connections but only says "500+" above 500, so the person could have 5,000 connections). Most of those are bound to be weak connections. One example; somebody who contacted me by email years ago, it was not of interest to me but I must have responded to his LinkedIn request to connect. I really did not know this person. Another example; somebody I know well, but when I tried to use the connections he told me that during a job search period he'd networked relentlessly and entered every random contact into LinkedIn. He had effectively made his LinkedIn connections useless by 'pollution'.

2. I can by-pass the network and avoid paying the fees. The 'professional' users of LinkedIn tend to be sales people or recruiters. In other words people who network for a living. They are the ones who will pay the fees that LinkedIn charges:

Monthly cost	\$19.95	\$50	\$200
Request Introductions	15 at a time	25 at a time	40 at a time
Contact users directly through InMail	3 per month	10 per month	50 per month
LinkedIn Network search results	100	150	200

The problem is that 'reciprocity' (aka what goes around comes around; or you scratch my back and I'll scratch yours) is missing. Sales guys sell, they don't buy. If they simply use LinkedIn as a glorified marketing database, people will put up the barriers.

I contacted some people through LinkedIn's built in messaging, but more often I reached out by email or phone. This was not only, or even primarily, induced by a cheapskate desire to avoid paying the fees. Sending a standardized mail through LinkedIn seemed like a cold and impersonal way to re-establish a relationship and ask for a favor. So I am not sure how viable the subscription revenue business will be.

Which leaves advertising. If they go for something similar to the Facebook ad model, that would go down like a lead balloon in this business community. It is possible that LinkedIn has the 'magic monetizer', the AdSense equivalent that turned a useful service into \$ billions in revenue. I just have not seen it yet.

Where to now for LinkedIn?

LinkedIn has some of the smartest investors around (one of the angel investors is also an investor in Facebook). These investors have deep pockets and they are almost certainly following the model of building both scale and deep end user value before attempting too much monetization.

I have seen signs that they are looking at deepening their service value, specifically by becoming a network to find small service providers. With reputation ratings, that has big value. It has reciprocity as there are times as a buyer when you really need a small, specialist firm at short notice. So this is valuable to buyers as well as sellers. There are specialist networks doing this already, so LinkedIn can do it at scale across multiple domains. That looks like a winner.

Thinking about monetization, I looked at the primary motivations for using a business networking service like LinkedIn:

1. Push marketing. Find the right contacts to avoid cold call. This has limits. Over-use will lead to barriers getting erected to avoid 'networking spam'. This is true whether one is selling a product, a service or person (e.g. recruiters). This works when it is occasional, uses close contacts only and there is reciprocity in the real world relationship.
2. Pull marketing. Put up your profile, or your firm's profile, and get found by the right buyers. This is nascent in LinkedIn today but shows big promise.
3. Just-in-time expert advice for cash. This is what companies like [Gerson Lehman Group](#) have done for years and they have built a real business. There are more consumer-oriented variants such as [BitWine](#). With their scale, LinkedIn could easily get into this business.



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