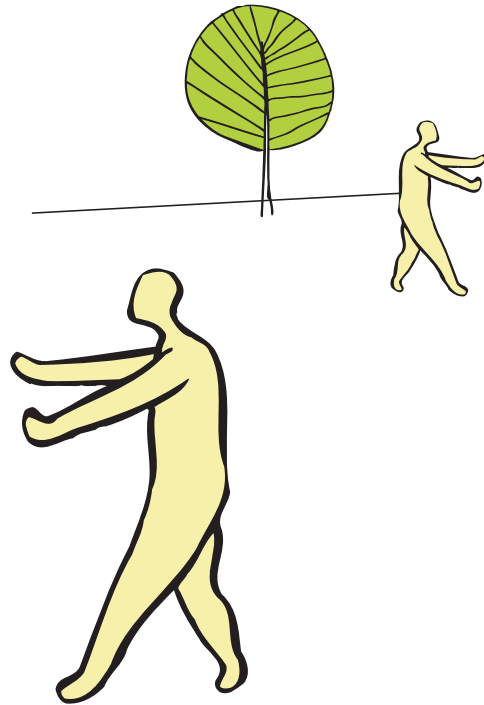

Online customers are changing everything - even search



Over the last year or so Yahoo has made two notable acquisitions. The first was Flickr, the rapidly growing photo-sharing site, the second was Del.icio.us, the social bookmarking company whose traffic trebled in the month prior to the acquisition. Yahoo paid over \$40 million in total for the companies, both of which were less than three years old and showing minimal revenues. What both companies shared is a vision of the web founded on user generated content and Yahoo's purchase indicates that they plan to leverage this passion to deliver a new generation of search based not on algorithms but on human tagging.

Sometimes referred to as 'social media', UGC has been around since the web began, what has changed over the last 18 months is the dramatic growth in sites that enable UGC and encourage cross-fertilisation between different applications. Consider Flickr, every hour 14,000 images are uploaded by a rabid fan base of 1.5 million registered users. Of the current 60 million photos uploaded (*as of Dec 05*) more than 80% are publicly available (*meaning anyone can view them*) and more than half of the photos have been tagged by users making them searchable. Del.icio.us has 300,000 registered users who are pioneers in the art of 'tagging' content, where they assign keywords to photos books, music, blog entries, web pages and

more. A culture of participation is sweeping the web - users can write their blog with integrated photos from Flickr, deliver a podcast, comment on other's photos and tag content to help others find it easily.

Yahoo has 191 million registered users and was founded on the basis of personal reviews and editor recommended sites within a directory structure. This original vision foundered when the web grew too fast and got too damn big and the number of staff required didn't make sense. Yahoo is now returning to its roots, hoping that it can convert registered users to having lasting Flickr-like relationships, with users not only generating content but tagging their own and others web content so that it is searchable by all.

Research has shown that users are more likely to trust other users' content and will make decisions based upon a majority view. What this means for Yahoo is that they believe they will be able to regain web search from Google by making it a social event based upon trust and recommendation.

What is unique about this approach is that Yahoo doesn't have to pay for the UGC and there are theoretically enough users to categorise the entire web. If Yahoo can do this in a manner that generates brand loyalty rather than a feeling that users are

fuelling the wheels of a great enterprise then they may succeed. Yahoo knows that it can't beat Google on the basis of algorithmic search so it's gambling that it can open the knowledge held in its users to make search more relevant and personal.

Why does this matter so much? Because of targeted adverts based upon search criteria. The market for targeted search ads was projected to be worth \$9 billion in 2005* and Yahoo wants a bigger slice of the pie. Yahoo also believes that by generating the type of user feeling that Flickr and Del.icio.us have that they can make more revenue from individual users for subscription services.

What can others learn from this? That UGC can increase a site's traffic exponentially; engender evangelical brand loyalty and provide revenue from streams that hadn't previously been considered. UGC can also provide brands with insights into positioning, product development and customer service. Conversely, because users are not controlled they can present new and unique threats to brands and their loyalty (*consider the customer forum at one broadband website which at one time was so full of complaints and vitriol that it immediately caused us to cancel the contract we had just placed with the company*).

"Yahoo believe it can regain Google's share of web searching through UGC"

To benefit from UGC (*and tagging*) many brands, including Yahoo, have to overcome the 'average Joe' phenomenon to motivate users to contribute and lighting the spark for this is likely to be the hardest struggle. What will unlock this energy is the trust in a brand that users express; both Flickr and Del.icio.us have fantastically loyal users who congregate around the brand because it reflects their shared values and aspirations. This loyalty has been earned by producing innovative, supportive features that work in a friendly and personal way. Failure to do this will leave any UGC strategy off the winner's podium.

* (Source: Investment banking firm SG Cowen)

This is what we do...



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