



Web 2.0: The Internet Grows Up
Presentation by Chris Schultz
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1. Setup - Web 2.0 [slide: screen divided in ½. One side enter pic of me, the other side words "Web 2.0"]
 - a. We are glad to see so many people here, and we hope we can share some insights into some of the exciting things that are going on with the internet today. How many people came to the talk today because of the picture of the handsome guy the left, and how many because they wanted to learn what the heck the words on the right [Web 2.0] mean? Well, we'll start by illuminating and debunking the marketing message behind these words right now, [slide: buzzword stamp flies in over "Web 2.0"] Web 2.0 is a buzzword
 - b. We were just in SF at an event called the Future of Web Apps, very 2.0, but the strange thing was that no one was really talking about 2.0. People that were using the phrase "Web 2.0" found themselves almost apologizing for it as soon as they said it. Web 2.0 is almost a four letter word, but why? [slide: montage of Web 2.0 cliches, HB ebay sale, "so 2.0 it hurts" ad, lots of Web 2.0 references]
 - c. The question on many people's minds is: "is there a fundamental change going on or is this just marketing hype signaling a bubble, and ultimately another burst. [slide: stock chart showing stock run up in late 90's w/ burst in 2000 (should just be illustrative, not actual chart)]
 - d. Well, I'm here to tell you today, that Web 2.0 is a movement full of sound and fury, but ultimately signifying something. [slide: can we do a Shakespeare reference or something funny, not sure quite what here]
2. Foundation - What is at the core of the movement that is being called Web 2.0? And what are the forces at work that are causing this renewed excitement about the internet and current crop of internet companies. [slide: 1996 vs. 2006: What a difference 10 years can make]
 - a. The internet has grown up, and what I mean by that is, as a platform, the internet has evolved tremendously. 70% of US households and 90% (check my figs) of businesses are connected to the internet through a Broadband connection. [slide: tortoise and hare] This has enabled companies like mine to harness like mine to work with people around the world in a distributed environment [slide: image of globe w/ India and Russia and US highlighted] and collaborate in ways never before possible. [slide: Cover of the World is Flat] And because we are harnessing a global workforce, we are able to be self funded; we don't need the millions of dollars [slide: big pile of money] in venture capital that were flowing last time around. And since we don't need that money, we are deflating the bubble before it starts since the bubble was largely a result of IPO's that were happening just so financiers [slide: a picture of rich old guys



smoking cigars] could cash out of companies that had no business model to begin with. [slide: Pets.com & sock puppet]

3. Forces: So with this understanding of the foundation [slide: foundation of house], what is it that we are actually building right now [slide effect: Flickr logo, YouTube Logo, Netflix logo, Google logo, myspace logo, All being placed on top of foundation] ?
 - a. Software moving online
 - i. The web as a platform. One of the key transformations currently taking place is that the internet is replacing the desktop the platform for software distribution. As we spend more time on the internet, we have become familiar with managing tasks that have traditionally been performed on the desktop, online. [slide: Yahoo Mail Beta SS] Email is one of the tasks that we all are familiar with that has migrated online. Hotmail, Yahoo mail, Gmail, all are examples of webmail applications. The screen behind me is an example of the new Yahoo Mail beta software. What you'll notice about this is that it is a application that is delivered through the web browser but it looks very familiar to Microsoft Outlook users. And if you use this software you'll notice that the user experience is very similar desktop applications that you are used to. This is through a series of new technologies including Ajax, which is a hot new programming tool that delivers rich internet application functionality. And because this requires more bandwidth to operate, it is only made feasible by the current levels of broadband penetration.
 - ii. One of the most powerful features of software once it moves online is the ability to collaborate with people over the internet. Microsoft Office [slide: MS Office Paper clip?] for years has been trying to build in the ability to share and update documents and work together on projects, but most people have never been able to use it successfully and have been relegated to email documents back and forth. The internet is a platform that is inherently built for collaboration. One of the most powerful tools that we use daily to manage all our projects and is one of the early winners in the Web 2.0 space is a tool called Basecamp [slide:basecamp SS]. Basecamp is a project management tool that has replaced email for us. It enables people to collaborate on a project together and they can be anywhere in the world. It structures the communication flow, and it is very lightweight, so it avoids the old doing something once, and then entering it in the project management software headache.
 - iii. So, over the next few years, more and more of the tools we use on a daily basis are going to be moving online. Starting with communications [slide:skype], Skype and Voice over IP technologies are taking the cost of telecom to zero. There is a wave of development and acquisition going on with the major players. [slide: Google spreadsheets SS] Google has launched a spreadsheet application, and they recently acquired [slide: Writely SS] a word processing program, so they are setting the stage to square off with Microsoft with online



vs. offline Office suites. Maybe more slides of online software, maybe not...
let's see where we are.

b. User generated content.

- i. As the tools of creation and collaboration reach the masses, the line between amateurs and professionals will continue to blur and is already spurring one of the hottest trends within Web 2.0 that is already reaching the masses and that is user generated content. The traditional media company model of creating owning and monetizing creative content is being flipped on its head by companies that are creating businesses out of simply providing an infrastructure for creating, sharing, and consuming content. The content itself is provided free by their users. And these companies are having a transformative impact on the status quo. Encyclopedias and reference materials have always been created by experts and editor who dictate facts. Not any more [slide: wikipedia]. Wikipedia is an online encyclopedia that anyone can edit. With tens of thousands of contributors, the site operates as open and informal democracy, and has quickly become the largest repository of reference information in the world.
- ii. Another company that has built a fanatical user base is an online photo sharing service called Flickr. [slide: flickr ss] Flickr is a site that offers storage for users digital pictures. The site has become incredibly popular with users because of the ability to share photos with others. Flickr provides tools to share your pictures with your friends and family, and many people use it as a photo blogging service where people can keep up each others lives. In addition most of the photos are publicly viewable.

c. Community-powered sites

- i. Community powered sites are becoming the "neighborhoods" of the internet. And they are important because they are where people are spending more and more of their time, directly cutting into time previously allotted to TV and other entertainment. The reason these community-powered sites are catching on is that they are filled with people like this [slide: Raving Fans]. People who are passionate about something, have built a community around it. These are sites where users tend to hang out, spend time, socialize and interact with other community members. Sound familiar? [Myspace SS] Anyone here have kids who are members of Myspace? This is probably the leading example of a community-powered site that is filled with passionate users. How often does your teenager check on their Myspace page, update their blog, and meet new friends? Probably every night. And that passion for involvement in the community is what the site thrives on. And the time that your teenagers spend on Myspace is the reason that Rupert Murdoch's News Corp purchased it last year for \$580 million, and today it's probably worth closer to \$2 billion. The ability to reach the demographic that can no longer be reached through television advertising is what has made Myspace so valuable. And all they built



was a simple framework for people to put up web pages about themselves and meet other people. The community took care of the rest and has powered its tremendous growth.

- ii. Community powered sites are popping up all over the web for just about anything you can build a community of passionate users around. Any pet owners in the room? Are you passionate about your pets? [slide: Dogster SS] Dogster is a community built around dogs. It's a Myspace for your pets. And 90% of the pages are actually written in the voice of the pets so a lot of people must have dogs that can type. Next came [slide: Catster ss] Catster, a site that is powered by a passionate community of cats and cat lovers. And as you move out the long tail of communities, there are undoubtedly community powered sites for any type of community you can imagine out there. (maybe add other community powered sites)
 - iii. So how do we cut through the clutter of the web and find websites and information of interest to us? Deciding the value of information online and presenting it in relevant and useful ways is the goal of another community powered site, Digg. [slide: Digg ss] Digg is community powered in that it is a democratic ranking system of everything available online. Users submit sites of interest and community members vote by "digging" or "burying" the site based on their analysis of its value to them. The democratic ranking system keeps the homepage of Digg.com fresh with a constant flow of stories, content and breaking news online. Digg is an example of how a passionate community of users is replacing editorial oversight in determining the value of news information that is available online.
4. Harnessing Those Forces: Marketing to Web 2.0 -For an idea to be spread, it needs to be sent and received.
- a. Transition to marketing - No one sends an idea unless:
 - i. They understand it.
 - ii. They want it to spread.
 - iii. They believe that spreading it will enhance their power (reputation, income, friendships) or their peace of mind.
 - iv. The effort to send the idea is less than the benefits.
 - b. No one "gets" an idea unless:
 - i. The first impression demands further investigation.
 - ii. They already understand the foundation ideas necessary to get the new idea.
 - iii. They trust or respect the sender enough to invest the time.
 - c. Notice that ideas never spread because they are important to the originator. Notice, too, that a key element in the spreading of the idea is the capsule that contains it. If it's easy to swallow, tempting, and complete, it's far more likely to get a good start.
 - d. The Long Tail - The Long Tail is a marketing concept created by Chris Anderson that explores...[insert definition here].



- i. What this means to marketers, now and even more in the future, is that mass communications are going to be less effective. You can no longer depend on reaching people with a lighthouse. [slide: lighthouse] Business can thrive on the head, the lighthouse reaches so many people that it makes it worth it. However, now that we are able to reach the long tail, we can assume that businesses can sustain long term by reaching out to the long tail.
- ii. Lighthouses will always have their place, but you'll need a laser [slide: laser] to reach the long tail. And although it's a much smaller group than the one you can reach with the lighthouse, there are millions of laser groups.
- iii. If you buy into the Long Tail, you might assume that there's a clear dividing line in the lifecycle of your product or service where at the point that initial explosive interest begins to wane, your job is just getting started. You're iTunes or Netflix that has found its audience for top 10 hits and new releases, but to grow long term, you need to laser in on the long tail. Find people who like German documentaries and Japanese indie flick. Find the people who listen to Icelandic folk music, or bluegrass hip-hop fusion recordings. Find them, because they have undoubtedly found themselves, and if they haven't, what an amazing opportunity for someone like you to create a community.
- e. Sounds like a lot of work, but remember that after a point, these communities start to grow themselves. Long Tail communities manage themselves and grow fast. So, although it may seem like a lot of work up front...
- f. Viral Marketing: Act 2 - [slide: word of mouth] Viral marketing is a traditional marketing technique that's getting a new life with Web 2.0. Word-of-mouth has always been around, but then e-mail marketing [slide: email marketing] picked it back up. Spam really hurt this method, but now communities [slide: passionate fans] are creating a new viral marketing channel.
 - i. The best thing about communities is that they are self-governed. You no longer need a moderator to watch things, users police themselves. Passion-centric communities, so it means a lot to them. But be prepared for them to take your message and make it their own. So, even traditional style press releases are not necessary. A quick e-mail or instant message asking some member of the group to check out a new site may be all you need sometimes.
 - ii. WARNING: These communities are fickle, and at the slightest sign of ulterior motives or corporate speak, you'll get dropped. HB Myspace example. Over 1000 friends when Miss Huckabuck took over.
- g. Blogs - I've saved the best for last because I think blogs are where all of things converge. Software moving online, user-generated content, communities online, and then marketing to all of that is so easy to do through blogs. Blogs make having a conversation with your audience, and showing your audience who you really are extremely easy.
- h. Traditional Marketing Techniques meet 2.0 [loop arrow slide]



- i. Pitching: Historically, telling a consumer about a new product or service has involved a pitch and that pitch almost always involved a hook. In this sense, a hook is a take-it-or-leave-it statement where consumers will either bite (and buy or try what you're selling) or not. Using the forces of 2.0, pitching is being replaced with conversations (conversing). There are less hooks and more on-going conversations where consumers jump in and out of a constant conversation. Conversations are less zero-sum, and instead of take-it-or-leave-it, you get the opportunity to talk with (not to) the consumer over and over. They tell you what they still need to make a decision, and they are willing to tell you because 2.0 makes you more accessible. You are no longer a faceless corporation, but a person on the other end who really wants to meet their need. (Innocent enthusiasm with an agenda)
- j. Positioning: [old lady slide] Positioning involves telling people who you are, who your company is. You could get away with this in the past because there weren't as many people watching, as many people talking inside and outside of your company. Instead of positioning, start showing who you are. It's becoming more acceptable to be completely real and transparent with people. Don't be afraid to show them who you are, but we are still marketers, so keep in mind it's innocent enthusiasm with an agenda.
- k. Marketers have to be just as sophisticated, or more so to keep up with this growing community. Where is this leading? Assume blogs are going to become as popular as newspapers or magazines. 2.0ers consume vast amounts of highly relevant information, and they are able to do this because they are able to filter noise more effectively, and an increase in choices mean they can seek out what they are looking for and will eventually find it. They don't have to settle for a mass medium, they create their own niche.