

MySpace Worth \$2.71 Billion - Beta Test of Community Value Creation Index Completed Successfully

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Despite ongoing changes in the market and intensifying competition between the various models, the boom in social networks and Internet communities continues unabated. Up to now, though, the jury has been out on exactly what effect these communities have on enterprise value and on the future marketing options of their operators.

To come up with a verdict, the Komjuniti agency developed the Community Value Creation (CVC) index. This index examines the value-creation potential of a community by analyzing the relationships between members, members' interactions, and the potential for transfer of content between the online and offline worlds of the community, amongst other things. A beta test of the CVC index was carried out that evaluated a range of different international social networks and communities.

The test identified MySpace as the highest-value international community. With approximately 63 million active members, an estimated 214 million interactions daily, and the ongoing development and incorporation of new member acquisition models, MySpace is top of the social networking pile. What's more, at 27%, MySpace has a high transfer rate between the online and offline worlds. When examined using monetary analysis criteria, the community value of MySpace was estimated at \$2.71 billion.

Unlike classic evaluation models, which focus in their calculations on data relating to content, member numbers, and traffic, the CVC index also takes into account the network effects between community members. To do this, it analyzes not only the individual connections between members, but also network density, the frequency of interactions, and the resulting opinion-formation potential. "This data gives us a more complete picture of the processes and developments taking place in the communities, both quantitatively and qualitatively," says Dr. Andres.

The beta test also demonstrates that even other communities with similar member numbers and traffic data to MySpace still have a lower community value than MySpace. Dr. Andres goes on: "The calculation of network effects, in particular, sheds light on where new sub-communities have arisen within the communities and where opinion-formation potential is being built up. With its integration of musicians, actors, and other international stars, MySpace has a relatively high number of sub-communities and thus has considerable influence on opinion-formation amongst its community members."

Another advantage of the CVC index is its calculation of online and offline content transfer. "Since 2005, MySpace has increased the number of its appearances in traditional media from 2,257 to 37,411 – more than a tenfold increase," explains the expert. "This information alone is highly relevant for the calculation of community potential, as it is exactly this content transfer that attracts additional active members, giving the community operator greater potential for interaction and marketing."

According to the Komjuniti agency, thanks to MySpace's high transfer rates and the ownership structure of News Corp., MySpace has the potential in the short term to medium term to cross over into the classic TV arena. Dr. Andres sums it up thus: "When we look at the development of MySpace to date, it's obvious that it represents a new kind of youth movement and youth culture, just like the music channel MTV in the 1980s and 1990s."

About Komjuniti:

Komjuniti is a spin-off agency of the Brand Science Institute (BSI), specialising in the construction, strategic development and ongoing management of brand communities for its customers. Komjuniti combines on- and offline elements and uses special tools to measure the success of brand communities.

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