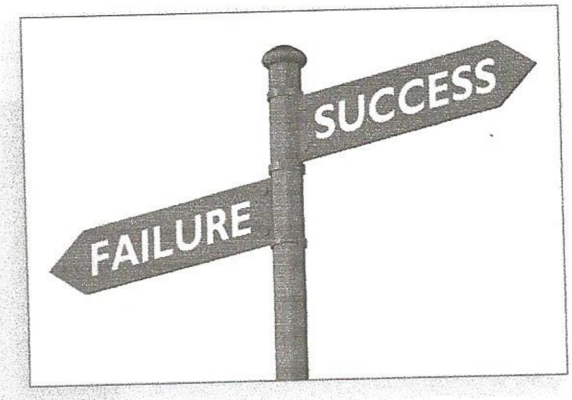

online privacy, child safety, censorship, and website performance. MySpace's inability to build an effective spam filter made it seem seedy, driving away members and advertisers.[7]

Meanwhile, the strength of upstart Facebook was growing. Facebook's initial model allowed only those who were connected to a college or university to join. At first, these were only Ivy League universities, giving the social media site an air of exclusivity. Later, members had to have a ".edu" email address, enabling Facebook to capture the highly valuable college market.

By 2009, Facebook had surpassed MySpace's traffic. Meanwhile, MySpace was locked into an advertising revenue deal with Google that limited its flexibility and ability to innovate and compete.[8]

Rather than attempt to address all the technological and cultural Web issues plaguing the MySpace platform, News Corp. chose to focus on generating revenues by increasing its identity as an entertainment-centric Web destination and by forging even closer relationships with the recorded music and movie industries. After all, News Corp. owned many media properties. On a site that already was lagging behind the *social* aspect of the overall social network, this decision to move away from connecting people with people in favor of connecting people with media proved disastrous. At a time when Facebook and Twitter were experiencing meteoric increases in membership, MySpace's membership numbers as well as its traffic dwindled.

Despite numerous rounds of management shakeups between 2008 and 2010, none of the would-be executive saviors of MySpace managed to turn the company around. By the end of 2010, MySpace had no defensible competitive advantage. It had long ago defined its niche as a place for music fans and bands to connect, and had decided to stick with this core competency despite evidence that the social media universe was quickly evolving in another direction altogether. It also ignored complaints from its members that the technology was falling behind, and that the features and user interface were substandard to the newer social networks appearing almost monthly. MySpace management ran the company without adapting sufficiently, or smartly enough, to these two particular challenges.

In 2011, MySpace was sold to Specific Media and Justin Timberlake,[9] where it may be in better hands. Although just a shadow of its former self, it remains one of the top 160 most-visited websites in the world,[10] which gives its new owners a foundation to rethink and perhaps reinvent this once-giant social networking and technology innovator. ■

questions

1. Was it reasonable for Facebook to initially ignore a segment of its market when MySpace was so big and Facebook so small?
2. Friendster turned down a $30 million acquisition offer, and MySpace accepted one for $580 million. Both decisions are considered to have hampered their ability to compete with Facebook. Should they have taken the money? When and how do you know it's time to sell?
3. MySpace later became known as *the* social networking site for music and entertainment connections. Do you think it can build a highly profitable business around this niche?

7. Ibid.
8. "Special Report: How News Corp got lost in MySpace," by Adegoke Yinka. *Reuters.com*.
9. "News Corp. Sells Myspace for a Song," by Jessica Vascallero et al. The *Wall Street Journal*. June 30, 2011.
10. Alexa. Jan. 29, 2012. www.alexa.com.