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Gartner Says Worldwide Social Media Revenue Forecast to Reach \$16.9 Billion in 2012

Analysts to Discuss Disruptive Technologies, including Social Media, at the Gartner Portals, Content & Collaboration Summit 2012, on 19-20 September in London

STAMFORD, Conn., July 25, 2012 — Global social media revenue is forecast to reach \$16.9 billion in 2012, up 43.1 per cent from 2011 revenue of \$11.8 billion, according to Gartner, Inc.

Advertising is, and will continue to be, the largest contributor to overall social media revenue and is projected to total \$8.8 billion in 2012. Social gaming revenue more than doubled between 2010 and 2011 and is expected to reach \$6.2 billion in 2012, while revenue from subscriptions is expected to total \$278 million this year.

"Usage of online social media has matured, and more than one billion people worldwide will use social networks this year," said Neha Gupta, senior research analyst at Gartner. "Although the number of social media users is large, and in some cases increasingly mature in their usage patterns, the market is still in its early stages from a revenue perspective."

Gartner expects the number of social media users will continue to increase at a moderate pace. New forms of media and entertainment will keep users engaged on social media sites and attract new ones. Rising competition among social media players, each vying for consumers' leisure time and attention, will lead to the rise of new forms of social media (web based and mobile).

Marketers are allocating a higher percentage of their advertising budget to social networking sites. This is mainly driven by the fact that these sites offer a large pool of engaged users who spend considerable time on these sites — this increases the potential click-through rates (CTRs). Social media sites enable marketers to target ads to discrete consumer segments by unlocking the interconnected data structures of users that include lists of friends, their comments and messages, photos and all their social connections, contact information and associated media.

"Social media sites are becoming more innovative in their ad products to attract marketers," Ms Gupta said. "Social networking sites should deploy data analytic technologies that interrogate social networks to give marketers a more accurate picture of trends in accordance with consumers' needs and preferences."

Gartner analysts said that social media sites will continue to incorporate gaming techniques on their networks, driven by the monetisation opportunities that it presents. The sale of virtual goods will remain the primary source of revenue. Major console gaming publishers have recently entered the social gaming arena and are adding momentum to the social gaming industry by utilizing their intellectual properties. Gartner expects this trend to have a favorable impact on social gaming revenue as consumers are likely to

be attracted to familiar gaming titles. Some of the big social developers such as Zynga, GREE and DeNA have moved to an open-platform strategy, enhancing user convenience and choice.

The growth in users paying for professional networking accounts will continue to grow. However, social sites are moving toward lower subscription fees and shifting focus to other sources of revenue, such as advertisement-based sales. This is corroborated by the fact that many of the professional sites (including LinkedIn and Xing) that charge for premium services observed a decline in the subscriptions revenue ratio. Apart from a few exceptions, Gartner continues to see limited success with the premium subscription models.

The sale of virtual goods outside of social gaming is the largest revenue earner in the "other" category. The trend to sell high-value advisory services — such as public relations and reputation management) to brands so that they can better manage their presence on social networks is on the rise and is expected to continue. Payments on social media sites will increase, providing increased revenue opportunities to social media sites to serve as a payment platform for transactions of digital content (to pay for applications, such as part of Facebook), as part of social gaming (for example, FarmVille), or to make a person-to-person (P2P) payment to another user of the network site. New revenue opportunities for social media will also arise as both mobile and TV platforms integrate with social networking as a core service.

"New revenue opportunities will exist in social media, but no new services will be able to bring significant fresh revenue to social media by 2016," said Ms Gupta. "The biggest impact of growth in social media is on the advertisers. In the short and medium terms, social media sites should deploy data analytic techniques that interrogate social networks to give marketers a more accurate picture of trends about consumers' needs and preferences on a customised basis. In the meantime, however, they should also continue to exploit other channels of revenue like mobile advertising and social commerce."

Additional information is available in the Gartner report "Forecast: Social Media Revenue, Worldwide, 2011-2016." The report is available on Gartner's web site at <http://www.gartner.com/resId=2061016>.

About the Gartner Portals, Content & Collaboration Summit 2012

At the Gartner Portals, Content & Collaboration Summit 2012 Gartner analysts will help IT and business leaders harness the benefits and the challenges of a mobile, always-on workplace, exploit social engagement to drive innovation, and plan for the future workplace and the next generation social intranets.

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