

THE INDEPENDENT

The great socialite of the web becomes a Billy No Mates

Should old acquaintance be forgot ... Friends Reunited has been made to look old school by Facebook and is now unwanted by its owner, ITV. **Mike Anderiesz** sees where it all went wrong

When Steve and Julie Pankhurst launched Friends Reunited in July 2000, it was only three months after the dot-com crash began. That it thrived as an independent while bigger names failed now seems prophetic; no longer independent or thriving, with its founders long gone, Friends Reunited cuts a lonely figure in the medium of social networking that it virtually invented.

The Pankhursts famously set up Friends Reunited from a terraced house in north London while Julie was expecting their first child. By the end of the year it had 3,000 registered users, building to 12 million in 2005, the year it was sold to ITV to bolster the broadcaster's online portfolio. Ismail Ismail of the Webcredible consultancy acknowledges how revolutionary it seemed then: "When Friends Reunited launched, its success could be attributed partly to the fact that there was nothing like it, but also to its very clear and timely proposition. While not aesthetically great, it clearly communicated that it was for catching up with your old school friends, and it was very usable for this purpose."

Fast forward to the present and things look very different. Last Wednesday ITV confirmed its intention to sell Friends Reunited "when the time is right". Were the company to recoup anything like the £120m it paid originally, that would go a long way towards ITV's plan to deliver savings of £155m this year. However, Friends Reunited's revenue has fallen 18 per cent (£4m year on year) and while the broadcaster's chairman, Michael Grade, has hailed ITV1 as no longer "a tired old brand", it seems the tag has merely been shuffled between divisions.

So how did Friends Reunited go from being the UK's eighth-largest online presence to a bit-part player in under four years? The first of three fundamental mistakes was a failure to evolve and innovate when it was on top. Despite adding two extra services in 2003, neither Genes Reunited nor Friends Reunited Dating added value. Both, for instance, required reregistration when they could easily have imported existing user data; it was symptomatic of a design strategy



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ALEX DE GROOTE
Panmure Gordon

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ANDY BUDD
Clearleft

that even then seemed "old school".

Andy Budd of analysts Clearleft feels that Friends Reunited was simply ahead of the now-familiar curve that it helped to create. "It relied on the network effect, so when membership reached its tipping point, the whole site went viral. However, a lot of viruses burn through their fuel so quickly, they die almost as fast as they grow. Once you'd registered, seen what your old friends were doing and had a laugh at the (hopefully) tragic lives of your childhood tormentors, there was very little reason to stick around."

The second danger came from new competitors emerging with more aggressive business models. By the end of 2005 both MySpace and Facebook had launched with free registration, attracting record numbers of new users. Yet in 2008 Friends Reunited was still charging £7.50 for a six-month subscription when even managing director, Jon Clark, was conceding that the business suffered from "relatively shallow, infrequent use".

According to Alex de Groot, a media analyst at broker Panmure Gordon, the penny should have dropped long before last summer. "Given subscription models were beginning to collapse in 2005, it's hard to say why ITV made that decision so late. The real trouble now is that Friends Reunited is perceived as UK based; Facebook is global, Friends Reunited still has an older demographic; Facebook feels young. It's a generation thing."

Trail-blazers: Steve and Julie Pankhurst attracted 12 million users within five years of Friends Reunited's launch. But since then, the site has turned into a wallflower at the social networking party

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Since changing model and redesigning its site, some things have clearly improved – although by how much depends on which figures you believe. Nielsen NetRatings shows Friends Reunited attracting 2.8 million British unique users in January 2009 (a 15 per cent increase year on year), while another measurement company, comScore, suggests the opposite: a 20 per cent decline to 1.8 million. Either way, it's a far cry from Friends Reunited's peak and also pales in comparison next to Facebook's 22 million users (a 70 per cent gain) and the 10 per cent rise in social networking as a whole.

According to some analysts, including Adam Daum at research group Gartner, any improvements in performance or perception may have come too late: "Networking sites are natural monopolies; if they run their businesses well and learn from their customer base, they grow. Friends Reunited didn't – it was a one-trick pony."

Rebecca Jennings, an analyst at research firm Forrester, agrees: "The big problem was Friends Reunited didn't take the idea of connecting any further. The beauty of Facebook is that you can keep updating your contact; they encourage you to come back every day, to play games, send birthday cards. It's a more satisfying experience."

Much of the blame must lie with ITV. Despite a £7m ad campaign in 2007 and Mr Grade's insistence last week that "Friends Reunited put us on the online map", ITV demonstra-

bly failed to make the most of what its chairman once described as "one of the great undersung jewels in the crown". Mr Daum now believes this comment suggested more than just a mixed metaphor: "Calling something a jewel in the crown is a total misunderstanding of online properties. A jewel is a precious stone that holds its value, and whereas online properties can come and go in the twinkle of an eye, ITV comes from a world where things barely change in 50 years."

All of which leaves the broadcaster with the problem of who would want to buy its once-treasured business and how much of that £120m might be clawed back. "I'm tempted to say I don't think it has any value," says Mr de Groot. "But if you pushed me, I'd speculate one times revenue [currently £18m per annum]. The real value is that it has a brand and a database of subscribers, so that's something."

Brand strength is indeed a saving grace, with recent research by YouGov showing a 96 per cent recognition among those surveyed. However, Mr Budd at Clearleft believes that traditional values like this may not apply. "Human attention is fleeting. I'm unsure if any of the big social networks have much longevity and whether we'll be having the same conversation in 10 years' time. Is social networking here to stay or is it just a blip on the evolutionary path of the internet?"