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## Social Networking Q & A

Russell Rothstein, CEO and founder of Sales Spider, discusses how smaller businesses can use social networking to grow sales and extend their reach.

By bMighty.com | April 14, 2008

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Social networking offers a new path to connect with people, and those people can be friends, business partners, and customers. Though Facebook and MySpace dominate the social networking space and some businesses are making money on both, neither is a true business tool. However, other social networks do have business application. For instance, LinkedIn and Ryze focus on building professional networks for individuals to advance their careers, Biznik concentrates on localized business networks, and Sales Spider is dedicated to small and midsize businesses. Recently, bMighty chatted with Russell Rothstein, CEO and founder of Sales Spider, and learned his perspective on the future of social networking and the opportunities he sees for smaller businesses.

**bMighty:** Right now, there's buzz about social networking. Mark Zuckerberg, the Facebook founder, is everywhere from the Forbes list to 60 Minutes to SXSW. Not long ago, MySpace was white hot, and once upon a time Friendster was the cat's meow. Is this a fleeting fad with the clock counting down on 15 minutes for each of these new sites, or does social networking have staying power?

**Russell Rothstein:** Pure social networking sites are limited; they function as directories like the yellow or white pages. It's not enough to just connect people to one another. To succeed, providers need to add value to social networking so there's a reason to be there after you connect or reconnect with the people you know. On their own, connections aren't reason enough to keep visiting a social network; there's a saturation point. That's why Facebook opened its API and Google launched

OpenSocial. Those changes are about adding value and giving members reasons to return, and that's the future of social networking.

bMighty: On the maturity index, where does social networking stand right now?

Rothstein: Social networking is just in its infancy, like e-mail before we could integrate it with our address books. In North America, we'll reach the toddler stage when 25% of the population belongs to a social network and maturity when 50% or 60% belong. In terms of the value aspect of social networking, we're at the beginning of the second stage [evidenced by developments such as Google's OpenSocial and Facebook opening its API].

bMighty: What's the difference between MySpace or Facebook and social networks specifically for businesses, such as Sales Spider?

Rothstein: The difference is in user expectations. Our recent member survey found that 83% of our users joined a social network for business or career development, not for friendships. That's a key difference between business and other social networks. When you're trying to connect with friends, it's about who you already know; the six degrees concept is a referral model. With a business social network, you're trying to discover new opportunities and meet new people -- potential customers and partners -- it's a discovery and lead generation model.

Most people have multiple interests. The same person who belongs to MySpace because they play in a garage band and post their MP3s may also belong to LinkedIn to look for a job, and may belong to a niche social network on Ning for another hobby or interest. Sure, there are businesses opportunities on Facebook and LinkedIn, but that's not the exclusive focus. Smaller business people will join business social networks not because they're looking for friends or a job, but because they're looking to build alliances and make money.

bMighty: Can social networking replace existing business processes, or is this a new tool?

Rothstein: The answer is a little bit of both. Social networks can change the way business is done. Business travel is an example. In the past, a smaller business that wanted to reach beyond the local market might travel to four or five trade shows each year. It costs \$3,000 to \$4,000 to attend each show and \$15,000 or more each time you get a booth. By the time you're done, you've spent \$40,000 or \$50,000 on trade shows, and that's only going to increase with travel costs on the rise. Now with a

social network, a business can make connections in nonlocal markets and develop partnerships. That doesn't eliminate the need to travel -- connecting via a social network can't take the place of cold calling -- but it is a way to maintain and cultivate relationships at low cost. So you might go to one or two trade shows each year rather than four or five and instead of bucking up for a booth, you might host a Webinar or a virtual trade show. It provides another way of building alliances and generating new business.

bMighty: What types of smaller businesses will get the most value from social networking?

Rothstein: Every industry has different needs and there are social networks that cater to verticals. As for Sales Spider, we've done very well in a number of verticals, including real estate, construction, technology, printing, and financial services. In researching our user behavior, we find that the members who are exclusively and narrowly local, the neighborhood dry cleaner for instance, are not as active as those trying to reach broader areas or nonlocal markets; I suspect that's because their presence provides them with the network they need.

bMighty: How do you see the difference in the social networking opportunities for large enterprises vs. smaller businesses?

Rothstein: Social networking can help level the playing field for smaller businesses. If your company is on the West Coast and you want to sell on the East Coast, you've got to hire people, you've got to get on a plane, and that's expensive. Social networking provides a way for businesses to establish connections and alliances in new areas quickly and at low cost. Big enterprises have the resources to throw bodies at new regions and customers. What smaller businesses can do it move more quickly and be more responsive to change -- social networks are a way to establish new connections quickly and harness those already in place.

bMighty: How should smaller businesses integrate social networking into their business processes?

Rothstein: Most social networks are free or very low cost, so there's no investment to make [Sales Spider is free]. But to see results does take a commitment of time. The members we see succeed, are very systematic -- they assign employees to focus on specific sales group or regions and set targets for the numbers of sales leads each week. It's important to start the pipeline early, even before there's an identified opportunity; you can't start going after something three days before the deadline.

Developing contacts and alliances in new verticals and new regions, starts building that pipeline so it's ready when the time comes.

Recently, Sales Spider surveyed 300 users of popular networking Web sites. The findings of this report include:

- \* 92% of users focus their social networking efforts on business-related activities
- \* More than half of users spend at least an hour per day on social networking sites
- \* 83% said that they would invest more time on a social network if it would help their business development
- \* 77% said they would be interested in attending virtual business-related events offered through their social network
- \* More than two-thirds of participants belong to more than one social network
- \* 67% of respondents said that business social network sites help their careers

#### About Sales Spider

- \* <http://www.salesspider.com>
- \* Headquarters: Toronto, Ontario
- \* Tag line: Other Social Networks Make You Friends. Sales Spider Makes You Money!
- \* Employees: 12
- \* Launched: March 2006
- \* Members: Almost 200,000