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Viral Issue: The Viral Loop

By Adam L. Penenberg -- *Publishers Weekly*, 10/5/2009



For Pierre Omidyar, a young, French-born Iranian-American computer programmer, it all began when he cobbled together some free software with his own home-brew applications to create an auction site, which he tacked on to his own hobby site dedicated to the gruesome Ebola virus. Several weeks later, as a test, Omidyar auctioned off a busted laser pointer he had bought for corporate demonstrations, but which he used primarily to entertain his cat. He asked for \$1. When the two-week auction ended, the broken laser pointer sold for \$14.83, and Omidyar realized he might be on to something. EBay was born. A few years later he was a billionaire.

When Mark Zuckerberg coded Facebook, he had originally sought to simply create an online version of his college “facebook.” He was surprised when most of the students signed on within weeks. Soon after, requests started pouring in from other schools, begging him to set up Facebook on their campuses. Today, Facebook has more than 300 million registered users and is valued at \$6 billion. Twitter, meanwhile, began as a communication tool its founders used around the office because they thought it was cool. It has now become a global phenomenon, and the company values itself at \$1 billion.

What these companies and other iconic businesses like Netscape, Google, MySpace, Flickr, YouTube, Digg, RockYou, Slide and other high fliers navigating the so-called social Web have in common is that they are powered by something called a “viral expansion loop.” In plain English, these companies grow because each new user begets more users. In order to use a product, you have to spread it—after all, what’s the sense of being on Facebook if none of your friends are, or using Flickr if you can’t share your photos?

A viral expansion loop is like compounding interest on a bank account: one user becomes two, then four, eight, to millions. Not unlike taking a penny and doubling it every day for a month or more. By the end of a week you’d have 64 cents and within two weeks, \$83.92; by day 30, about \$5.4 million, and by day 38 more than \$1 billion.

It’s little wonder that viral loops have emerged as perhaps the most significant business accelerant to hit Silicon Valley since the search engine.

In the Loop

I first heard of viral loops while researching a cover story for *Fast Company* in December 2007. I was in Palo Alto interviewing Marc Andreessen, the cocreator of Mosaic, the first widespread Web browser, and a cofounder of Netscape, about his latest social networking venture, Ning. He was explaining how he and his partner, Gina Bianchini, had designed their product to spread—how every new user would bring in two new ones, eventually leading to hundreds of millions of users who would click on billions of Web pages. Although I knew about network effects, such as when telephones began to spread, I didn’t realize that a growing number of Web 2.0 companies were now creating products with the express purpose of unleashing compound growth effects.



Adam L. Penenberg

Photograph © Marc Goldberg.

Curious, I queried a number of top tech journalists and businessmen—colleagues and sources I have trusted for years. The result is my book, *Viral Loop: From Facebook to Twitter, How Today's Smartest Businesses Grow Themselves*. While researching it, I learned that viral loops are not new. Tupperware, for example, is a viral loop company because it spreads through home parties. If 10 guests attend a Tupperware Party, a savvy seller can usually persuade two other guests to host their own parties and invite their social network of friends, and so on. Ponzi schemes, like Bernie Madoff's, also depend on a viral loop to spread. They count on people who are paid off in the early stages to tout their investment to friends and family; each person who profits mightily can be counted on to spill the beans to many others, generating gobs of cash for the swindlers. Some religions can also be analyzed as viral loops, too, since it's not enough to save my own soul, I have to try and save yours, too.

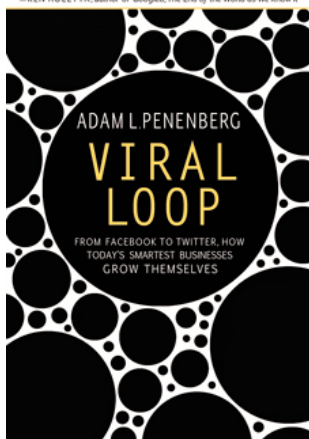
But it is on the Internet that viral loops achieve their vast potential. The Web offers an almost frictionless environment for products to spread. This inherent virality is getting stronger all the time, as more and more people—hundreds of millions of people—become more tightly interconnected through social networks like Facebook and Twitter. The question is, how do you reach them? How do you become part of the conversation online, and not on the outside looking in?

Viral Loop has serious implications for book publishers. In many ways, the industry has always been viral. After all, word-of-mouth has always driven book sales. Only after book clubs took to *Divine Secrets of the Ya-Ya Sisterhood* did the book begin to climb bestseller lists, for example. Today, word-of-mouth has become global in scope, and your readers now also act as your prime marketers. Not only do they tell friends and family about the books they like, they blog and tweet about them. They post reviews on Amazon and insert endorsements into the comment threads of Web sites. They download and spread videos created to promote these books, amplifying their messages. They regurgitate reviews and articles in their Facebook newsfeed and list books they like on their profiles. Suddenly one positive mention of a book can reach thousands of people in a single bound.

The question is: how do you effectively harness virality? If you attempt to control it, you risk alienating the very ones you depend on to spread word of your books. It's not like you can just ask readers to work for free. Herein lies the art of the viral loop: creating strategies so that readers not only are willing to tell their social network of friends and relatives about your latest release, they want to. In fact, it's their own idea, which makes it an even more potent endorsement.

To do that, a publisher or author has to offer value. Horror writer Scott Sigler, for example, was one of the first to create podcasts of his books and to regularly tap social networking sites to stay in touch with fans. But creating value can be as simple as a video on YouTube, or offering a giveaway. In my case, it was designing a social Web marketing campaign.

"Adam Penenberg's lively book opens a window to all of our futures."
—KEN AULETTA, author of *Goopled: The End of the World as We Know It*



In Practice

When I began writing my book, I knew that writing about viral loops wouldn't be enough. So I hired the New York-based Web design firm StudioE9 to design an application to run on Facebook (which my designer details in the sidebar). The result is a widget that since its launch last month has been amassing several hundred new users a day and in the process ingeniously spreading the word about *Viral Loop*. So far, a small percentage of users have clicked on the "buy the book" tab to order it pre-pub. Thousands more, however, are being made aware of it. As the old publishing saying goes, if seven people hear the title of a book, they are more likely to buy it.

As the widget spreads—we are on pace to amass 10,000 users within two months of launch—we hope to "own" the term "viral loop." Not literally, of course, but every time a user encounters or utters "viralloop," he will be marketing my book for me.

With such great potential for viral loops to aid in the book business, *PW* offered me a chance to spread the gospel of virality, to act as a sort of guest editor for this, its Viral Issue. How are your colleagues and peers using viral loops to grow their businesses? How can you harness the virality of online social networks to grow yours, whether it's publishing books, selling them, creating or finding them? Read on.

Author Information

Adam L. Penenberg is a journalism professor at New York University and author of *Viral Loop: From Facebook to Twitter, How Today's Smartest Businesses Grow Themselves* (*Hyperion*). You can find him at viralloop.com, follow @penenberg on Twitter or

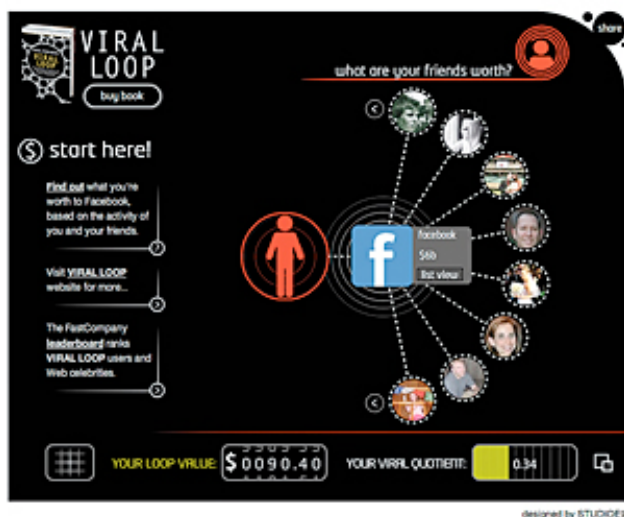
look him up on Facebook.

The Viral Loop Widget

By Paul Johnson

Facebook may have 300 million users, but that doesn't mean that these social digerati are easy to reach—which explains why advertising on the so-called social Web so far has largely been a dud. So when journalist Adam Penenberg approached StudioE9 to create an online marketing campaign for his new book, *Viral Loop*, we recognized a unique opportunity: we would design and implement a proof of concept for his book. In essence, set out to create a viral loop around *Viral Loop*.

We settled on a three-pronged approach involving a Facebook application (a widget), an iPhone app and a Web site. Taken together they create a powerful synergy, promoting *Viral Loop* across multiple platforms, yet they also function independently. The goal: to create multiple paths to learning about and hopefully buying the book. After all, every time a user sees or hears the words “viral loop,” we extend the brand. These three components take the idea a step further by having users spread it for us. To get it, you have to give. We knew we had to offer users something they would like so much they'd willingly share it with their friends. Then, our users would become de facto *Viral Loop* marketers.



Facebook Application

Our *Viral Loop* widget for Facebook takes advantage of the fact that users of social networks tend to be both committed participants and contributors: in other words, their interactions create value for the networks they use. If Facebook had only three million users, it wouldn't have the stratospheric valuation it does with 300 million. Our widget determines how much a user is worth to Facebook by collecting data on how active users are, who their friends are, how much influence they have, how popular their profile page is—plus, how much Facebook is worth these days. At the time of this writing, a rough estimate put Facebook at a value of more than \$6 billion.

When users launch the widget, they tap into a complex algorithm that crunches all the data. Once they learn their dollar value to

Facebook, a message is posted to their newsfeed, which further markets the app. They can also find out what their friends are worth by inviting them to try it. The more friends they persuade, the more influence they have and the more they add to their own value. By placing a dollar value on social network activity, we offer incentives to users to raise their level of participation and, more to the point for us, spread the widget.

A real-time leader board published on the Fast Company Web site (fastcompany.com) tracks the dollar values of Facebook's top 20 Web celebrities. Barack Obama, for example, can be worth up to \$2 million to Facebook, beating out Ashton Kutcher, Roger Federer and God. Alongside that list run the top 20 *Viral Loop* widget users and their dollar values, comparing the values of *Viral Loop* application users with the most popular celebrities on Facebook.



iPhone App

We took *Viral Loop* to a mobile platform with the *Viral Loop* iPhone app. It's a predictions market wrapped in a game. Those who download the app through their iPhones, iTunes store or from viralloop.com are awarded \$500 in *Viral Loop* currency to “bet” on predictions based, in large part, on the book. A prediction might be “Google will buy Twitter by year's end” or “Facebook will amass half a billion users by

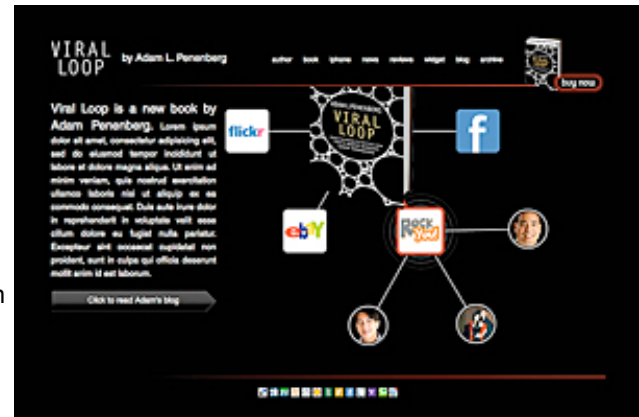


Jan. 1, 2010,” or “PayPal’s revenues will surpass eBay’s by July 2010.” The app tabulates each participant’s vote—either thumbs up or down. You can “short” a prediction like you would stock, too, and discussion boards at viralloop.com help users keep tabs on all the action.

The iPhone app also ties in with the widget. Users can transfer their Facebook dollar values to bet on predictions or buy the right to post their own prediction that other users can bet on. If a user runs out of currency, they can raise more by inducing others to download the widget or increasing their level of social network activity, or by buying the book through a special link at viralloop.com that leads to a major bookseller. They can then transfer that “money” to the iPhone app.

Viral Loop Web Site

A Web marketing plan exists at viralloop.com, which hosts Penenberg’s blog, a description of the



book, reviews and links to booksellers, as well as exclusive q&as with people who appear in the book’s pages—including Facebook founder Mark Zuckerberg, MySpace founder Chris DeWolfe and tech icon Marc Andreessen. There are also pages devoted to the widget and iPhone apps with comment threads.

But it doesn’t stop there. On the home-page is a tree with several viral loop companies branching out, including Facebook, Twitter, Flickr, MySpace, RockYou and Bebo. Click on Facebook and pictures of its three founders pop up. Hit edit and you can participate in a wiki to add your own information or provide links and commentary. The result is a constantly evolving site with the potential to become a valuable online resource. And like the widget and iPhone app, it depends on users to grow and spread.

Author Information

Paul Johnson is cofounder of StudioE9, a Web design and social marketing firm in New York City.

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