Myspace slashing 500 jobs, nearly half its staff

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Myspace announced Tuesday it was cutting some 500 jobs, nearly half of the staff of the troubled News Corp.-owned social network, which has been eclipsed by Facebook.

Myspace announced on Tuesday it was cutting some 500 jobs, nearly half its staff, in a move seen as potentially setting the stage for a sale of the social network owned by Rupert Murdoch's News Corp.

"Today's tough but necessary changes were taken in order to provide the company with a clear path for sustained growth and profitability," Myspace chief executive Mike Jones said in a statement.

"The new organizational structure will enable us to move more nimbly, develop products more quickly, and attain more flexibility on the financial side," Jones said.

He said the restructuring would "result in a 47 percent staff reduction across all divisions globally and impact about 500 employees."

News Corp. bought Myspace for 580 million dollars in 2005 but it has been overtaken in recent years by Facebook, which has grown to more than 500 million members while Myspace's numbers have dwindled.

In November, News Corp. president and chief operating officer Chase Carey said the losses at the social network were "unsustainable."

With tens of millions of users, Carey said Myspace still "has the potential to be an exciting business for us" but "we need to make real headway in the coming quarters to get this business to a sustainable level."

Wedbush Securities' Lou Kerner, a top Wall Street social media analyst, said the deep staff cuts at Myspace may be laying the groundwork for a sale.

"I think this is likely a first step to selling the asset," Kerner told AFP.

"It certainly makes sense for News Corp. to take a hatchet to the company as preparation for a sale so when somebody acquires it that's not the first thing that they have to do." he said.

"Generally with social networks if they're not growing they're shrinking," Kerner said. "And Myspace has been shrinking for an extended period of time.

"They've brought in multiple management to try and turn things around and nobody's been successful," he said.

The Wedbush Securities analyst said probably the single biggest technical innovation by Facebook that allowed it to leap past Myspace was the creation of the "news feed," which aggregated updates from a user's Facebook friends.

"On Myspace you needed to go 500 profiles to see what all your friends were up to," he said. "Myspace architecture just wasn't flexible enough to implement that kind of change in a timely fashion."

Jones, the Myspace CEO, said Myspace would be entering into partnerships in Australia, Britain and Germany to manage advertising sales and content.

In Britain, Myspace would partner with Fox Networks, another property of Murdoch's News Corp., he said, while details about Australia and Germany were being finalized.

Jones said an October redesign of Myspace, which has been fashioning itself as more of a hub for music, had resulted in more than 3.3 million new profiles being created on the site.

"With our recent relaunch as an entertainment destination for Gen Y, we introduced a much tighter focus, a significantly streamlined product and an updated technology platform," Jones said.

"While it's still early days, the new Myspace is trending positively and the good news is we have already seen an uptick in returning and new users."

Jones said mobile users of Myspace rose four percent between November and December and now total more than 22 million.

He said the layoffs were "purely driven by issues related to our legacy business, and in no way reflect the performance of the new product."

Jones said the company will "retain a core, dedicated international team to work with partners in order to ensure users, content partners and advertisers continue to be served.

"We are also committed to rebuilding the company with an entrepreneurial culture and an emphasis on technical innovation," he said.

News Corp. does not release figures for Myspace but the "other" category in its most recent quarterly financial statement showed a loss of 156 million dollars. Facebook, meanwhile, earned an estimated 400 million dollars on revenue of two billion dollars last year.