

# Facebook spawns ecosystem of startups

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To get the true measure of what's often called "The Facebook Effect," look beyond the company. Generally ignored in the klieg lights focused on Facebook's IPO is a growing ecosystem of other startups that are using the social network's 900 million users to launch their own businesses.

The startups already have a much bigger collective economic footprint than Facebook itself. And one sure bet is that an IPO is in the future for many of those still-young companies.

Consider Wildfire Interactive, a 3-year-old Redwood City, Calif., startup that helps the likes of Sony, [Virgin Atlantic](#) Airways and Unilever engage their customers through Facebook. Wildfire's customer base doubled to more than 15,000 in the past year, while its workforce tripled to more than 330 people.

"It's like catching a big wave," said Wildfire CEO Victoria Ransom, a New Zealander and the former head of a global adventure travel company who founded Wildfire in 2009 with Alain Chuard, a former professional snowboarder. "There is definitely a wave here, which is social media, that is changing the way businesses do everything."

Facebook's ecosystem was at first dominated by [social gaming](#) companies, particularly newly public Zynga in San Francisco. But that is changing as fast-growing startups built specifically around Facebook create new ways to find a job, buy and sell merchandise, plan a trip or find new customers—all inside the world's largest social network.

In the [San Francisco Bay Area](#) alone are RootMusic in San Francisco, which helps recording artists create [fan pages](#) on Facebook; Gogobot, a Menlo Park, Calif., travel service where members can tap the expertise of their [Facebook friends](#) to plan a trip; and Emeryville, Calif.-based Rotten Tomatoes, where fans can share movie likes or dislikes.

The Facebook ecosystem already supports at least 18 times more jobs in the United States than Facebook itself, according to one recent University of Maryland study. At Wildfire, one of the busiest spaces is the orientation area, where the roughly 20 new hires each month get training.

Within a few years, Ransom sees a future where Wildfire will have a workforce in the thousands, with "a darn good chance" that it will have gone public. Wildfire is not the only Facebook partner seeing an IPO in its future.

"We are one of the companies that could, on the back of Facebook, be on track for becoming a public company in the next three to four years," said Rick Marini, the founder and CEO of BranchOut, a San Francisco job networking service on Facebook. BranchOut has attracted \$49 million in venture funding and has seen its regular user population swell from about 400,000 in December to 13 million in April.

At its recent pace of adding three new users a second, or about 2 million a week, BranchOut will ultimately pass LinkedIn as the Internet's largest online employment network, Marini said.

"What I like to say is that LinkedIn does a really good job at the executive, \$100,000 and up jobs - the Wall Street jobs. BranchOut does a really good job at the nonexecutive, Main Street jobs," Marini said. BranchOut is likely to double its workforce this year, to about 100 people, before adding "hundreds" of people next year, he said.

Or, consider Payvment, a 25-employee startup in Palo Alto, Calif., that allows Facebook users around the world to buy and sell merchandise through the social network.

Payvment's merchants typically deal in niche markets that might not support a full brick-and-mortar store. Its sellers range from basketball great Kareem Abdul-Jabbar, who sells limited edition \$500 basketballs "hand signed in gold just for you by the NBA's all-time leading scorer," to ManGlaze, a Chicago operation that sells matte nail polish specially for men.

But by leveraging the social connections among Facebook's vast global population, merchants can use Payvment to find customers who share a specific interest. Payvment already accounts for about 80 percent of the shopping on Facebook.

"You're essentially building a business on a train that's going 150 mph," said Christian Taylor, the co-founder and CEO of Payvment, who with his wife Joelle Musante moved from New Haven, Conn., to Silicon Valley to co-found the e-commerce startup on Facebook in 2009.

Like many others in the Facebook ecosystem, Payvment is growing fast, adding about 1,500 new merchants a week, but has even bigger ambitions.

"We're going to see on the order of an eBay coming out of this company, in terms of scale," said Jim Stoneham, Payvment's chief operating officer.

And, like so many other Facebook partners, Payvment is hiring.

A study done by University of Maryland researchers last fall said the Facebook ecosystem directly supports about 53,000 jobs in the United

States-dwarfing the just over 3,500 people who work for Facebook-employment that indirectly supports more than 180,000 jobs. The study was partially funded by Facebook, but its authors say they designed its methodology and controlled its findings.

Facebook "is just the engine of a whole lot of growth in a lot of industries," said Il-Horn Hann, the study's co-author and an associate professor of information systems at the university's Robert H. Smith School of Business. "It's not only app developers. It's advertising; it's consumer brands, and so on and so forth."

The largest concentration of Facebook partners is clearly in the Bay Area, although Hann said it's not possible to quantify the local economic impact of the Facebook ecosystem from his data. While some of Facebook's biggest developers are far from Silicon Valley, roughly one quarter of the biggest Facebook apps, measured by audience, are being built by companies based in Silicon Valley, including San Francisco and the East Bay.

It's unknown how many jobs the Facebook apps ecosystem supports in the Bay Area, but the biggest Facebook partner, Zynga, already has a workforce of more than 2,800 people, not much smaller than Facebook's workforce.

Also unclear is whether the Facebook ecosystem is new economic activity or whether it is simply transferring from older online and offline businesses, Hann said.

While Facebook's coming IPO also boosts the visibility of its ecosystem, the startups say they wrestle with how tightly to bind themselves to the company. While Wildfire also works with Twitter, Google+ and other social networks, BranchOut for now is focusing exclusively on Facebook. Given the startup's recent breakout growth, Marini said he

doesn't want to distract his team by working with another social network.

And while startups like Wildfire, BranchOut and Payment are distinct companies, they are also clearly the children of Facebook, and see a huge advantage in staying close to their parent. CEOs like Taylor, Marini and Ransom regularly visit Facebook headquarters in Menlo Park, swapping information with Zuckerberg's lieutenants about what works and what doesn't for their businesses.

"Maybe I'm something of a [Silicon Valley](#) snob," Taylor said, "but I don't know how you could do this anywhere else but here."

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