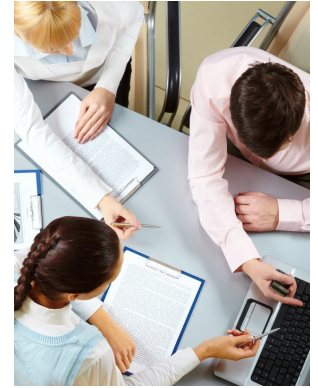
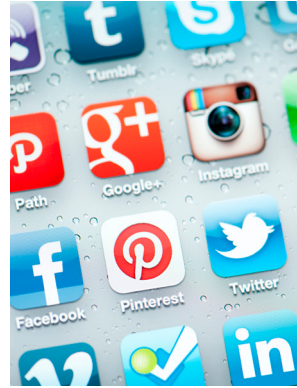
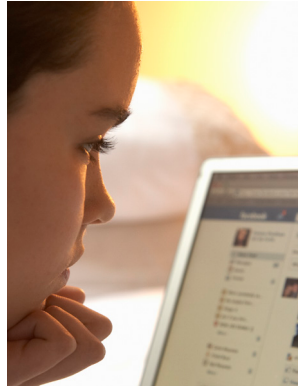


McKinsey Global Institute



July 2012

The social economy: Unlocking value and productivity through social technologies



The McKinsey Global Institute

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The social economy: Unlocking value and productivity through social technologies

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Social technologies today ...

>1.5 billion

Number of social networking users globally

80%

Proportion of total online users who
interact with social networks regularly

70%

Proportion of companies
using social technologies

90%

Proportion of companies using social technologies
that report some business benefit from them

28 hours

Time each week spent by knowledge
workers writing e-mails, searching for
information, and collaborating internally

... and their untapped potential

\$900 billion–
1.3 trillion

Annual value that could be unlocked
by social technologies in four sectors

1/3 Share of consumer spending that
could be influenced by social shopping

2x Potential value from better enterprise
communication and collaboration compared
with other social technology benefits

3% Share of companies that derive substantial
benefit from social technologies across all
stakeholders: customers, employees, and
business partners

20–25%

Potential improvement
possible in knowledge
worker productivity

Executive summary

Seven years ago, most consumers logged on to the Internet to access e-mail, search the Web, and do some online shopping. Company Web sites functioned as vehicles for corporate communication, product promotion, customer service, and, in some cases, e-commerce. Relatively few people were members of online communities; social networking sites were for college students; chief marketing officers did not worry about how many online fans “liked” their company’s products.

While social technologies have swept through the popular culture and are being adopted across industries, we find that businesses have only just begun to understand how to create value with these new tools.¹ The research presented here attempts to quantify that value, which we find is potentially on a transformative scale (i.e., more than \$1 trillion annually) and can be realized across the value chain, not just in the consumer-facing applications that have been at the forefront of adoption. Most importantly, we find that social technologies, when used within and across enterprises, have the potential to raise the productivity of the high-skill knowledge workers that are critical to performance and growth in the 21st century by 20 to 25 percent.

Today, more than 1.5 billion people around the globe have an account on a social networking site, and almost one in five online hours is spent on social networks—increasingly via mobile devices. By 2011, 72 percent of companies surveyed reported using social technologies in their businesses and 90 percent of those users reported that they are seeing benefits.²

In just a few years, the use of social technologies has become a sweeping cultural, social, and economic phenomenon. Hundreds of millions of people have adopted new behaviors using social media—conducting social activities on the Internet, creating and joining virtual communities, organizing political activities. All the rituals and rites in which individuals and groups in society participate—from personal events such as weddings or daily gossip, to global happenings such as the Arab Spring—play out on social platforms. Indeed, many behaviors that sociologists study—forming, maintaining, and breaking social bonds—are now taking place online.

Social technologies have literally changed how millions of people live. People rely on their online social connections—often including friends and associates they have never met in person—for everything from advice on what movie to watch to positive reinforcement for behavior modification (e.g., diet and weight loss). On social media, writers who have never been published and musicians who have

1 In this report we define social technologies as IT products and services that enable the formation and operation of online communities, where participants have distributed access to content and distributed rights to create, add, and/or modify content.

2 Jacques Bughin, Angela Hung Byers, and Michael Chui, “How social technologies are extending the organization,” *The McKinsey Quarterly*, November 2011.

never performed in public are now contributing to blogs and posting videos to YouTube. Social platforms have the potential to tap the great “cognitive surplus” of society by using leisure time for creating content and collaborating, rather than consuming.³

Businesses are changing their behaviors as well. In these few short years, social technology has evolved from simply another “new media” platform to an increasingly important business tool, with wide-ranging capabilities. Thousands of companies have found that social technologies can generate rich new forms of consumer insights—at lower cost and faster than conventional methods. Moreover, in addition to engaging consumers directly through social media, companies are watching what consumers do and say to one another on social platforms, which provides unfiltered feedback and behavioral data (e.g., do people who “like” this movie also “like” that brand of vodka?).

Companies are also enlisting social technology users to “crowdsource” product ideas and even to co-create new features. Social platforms have become a tool for managing procurement and logistics, allowing instant communication between different parties on B2B supply chains. Perhaps most intriguingly, companies are beginning to find that social technologies have enormous potential to raise the productivity of knowledge workers. Social technologies promise to extend the capabilities of such high-skill workers (who are increasingly in short supply) by streamlining communication and collaboration, lowering barriers between functional silos, and even redrawing the boundaries of the enterprise to bring in additional knowledge and expertise in “extended networked enterprises.”

In this report, the McKinsey Global Institute traces the growth of social technologies, examines the sources of their power, assesses their impact in several major sectors of the economy (including the social sector), and analyzes the ways in which social technologies create value. We also explore social technology risks and obstacles to adoption, as well as the enabling capabilities and conditions to create value using social technologies.

Among our key findings:

- The speed and scale of adoption of social technologies by consumers has exceeded that of previous technologies. Yet, consumers and companies are far from capturing the full potential impact of these technologies. Indeed, new uses, technical advances, and social business models will evolve—driven by user innovation and advances in technology. Almost any human interaction that can be conducted electronically can be made “social,” but only a fraction of the potential uses have been developed (e.g., content sharing, online socializing). Today, only 5 percent of all communications and content use in the United States takes place on social networks.
- Several distinct properties of social technologies make them uniquely powerful enablers of value creation. The most fundamental is to endow social interactions with the speed, scale, and economics of the Internet. Social technologies also provide a means for any participant to publish, share, and consume content within a group. They can also create a record of interactions and/or connections (a “social graph”) that can be used by consumers to

3 Clay Shirky, *Cognitive surplus: Creativity and generosity in a connected age* (New York: Penguin Press, 2010).

manage their social connections and by others to analyze social influence. Finally, social technologies can “disintermediate” commercial relationships and upend traditional business models.

- Based on in-depth analysis of usage in sectors that represent almost 20 percent of global industry sales, we identify ten ways in which social technologies can create value across the value chain. Each industry’s specific characteristics determine which levers will be most impactful. Overall, we estimate that between \$900 billion and \$1.3 trillion in value can be unlocked through the use of social technologies in the sectors we examined.⁴ (This range represents the maximum value that could be created if all participants fully implemented social technologies—and complementary organizational changes—and if all time and money saved by social technologies were applied in the most productive ways).
- Two-thirds of the value creation opportunity afforded by social technologies lies in improving communications and collaboration within and across enterprises. By adopting these organizational technologies, we estimate that companies could raise the productivity of knowledge workers by 20 to 25 percent. However, realizing such gains will require significant transformations in management practices and organizational behavior. Social technologies can enable organizations to become fully networked enterprises—networked in both a technical and in a behavioral sense.
- Companies that rely heavily on consumer insights for product development and marketing purposes have an opportunity to create value by engaging with consumers on social media and monitoring social media conversations to generate consumer insights and market intelligence. Companies in the consumer packaged goods (CPG) sector, for example, have an opportunity to create value that is equivalent to between 15 and 30 percent of current spending on these activities. This value is predicated not on use of social technologies alone, but on creative, thoughtful, and well-executed strategies that may incorporate other channels.
- Individuals and the communities they form will derive much of the benefits of social technologies. We estimate that today’s free social technologies provided \$40 billion in consumer surplus in 2010, potentially rising to \$76 billion in 2015.⁵ Individuals will also capture additional consumer surplus (in the form of better products and lower prices) through the deeper customer insights generated by social technologies and the greater transparency that online communities provide. Finally, social technologies can empower individuals to form communities of interest around specific issues or causes, providing societal benefits.

4 In this report, we use value to be synonymous with economic surplus, not net present value.

5 See *Consumers driving the digital uptake: The economic value of online advertising-based services for consumers*, McKinsey & Company for IAB Europe, September 2010. The IAB Europe report estimates that social technologies account for almost 30 percent of consumer value derived from advertising-supported online services. These estimates do not include the benefits that will eventually accrue to consumers from the surplus created by businesses through social technologies, much of which will be passed on to consumers via lower prices or better products.

- Giving social interactions Internet scale, speed, and economics carries risks. These risks include identity theft, loss of intellectual property, violations of privacy, abuse, and damage to reputations. Social technologies also can disrupt traditional business models.
- The benefits of social technologies will likely outweigh the risks for most companies. Organizations that fail to invest in understanding social technologies will be at greater risk of having their business models disrupted by social technologies.

Capturing the full potential value from the use of social technologies will require transformational changes in organizational structures, processes, and practices, as well as a culture compatible with sharing and openness. As with earlier waves of IT innovation, it could take years for the benefits to be fully realized, because these management innovations must accompany technological innovations. The greatest benefits will be realized by organizations that have or can develop open, non-hierarchical, knowledge-sharing cultures.

In this report, we define “social technologies” as the products and services that enable social interactions in the digital realm, and thus allow people to connect and interact virtually. These are information technologies that provide distributed rights to communicate, and add, modify, or consume content. We use the terms content and communications broadly. They include creating a message to be communicated (a tweet or a blog), adding content to what is already online, or adding information about content (“liking” a piece of content). Content creation also includes performing an action that an individual knows will be automatically shared (e.g., listening to a piece of music when you know your music choice will be displayed to others). Social technologies allow anyone within a group to access and consume content or information. They include technologies that also have been described as “social media,” “Web 2.0,” and “collaboration tools” (Exhibit E1).

Exhibit E1

Social technologies include a broad range of applications that can be used both by consumers and enterprises

NOT EXHAUSTIVE



¹ Social analytics is the practice of measuring and analyzing interactions across social technology platforms to inform decisions.
SOURCE: McKinsey Global Institute analysis

Social technologies—the computer code and the services that enable online social interaction—are, essentially, the product of 40 years of technology evolution and the fulfillment of a long-held vision of what computers and digital technology could do. Indeed, from the time that computers moved from punch cards to communicating terminals, computer users have been finding ways to interact socially with one another. The earliest academic computer networks had bulletin board systems that allowed researchers to post information to be shared and to comment on each other's content. When the Internet became available to members of the public, among the first commercial services were those that hosted interest groups (listservs). The Web's growth in reach and capability, and as a medium for interaction, set the stage for the explosive growth of social technologies.

SOCIAL TECHNOLOGIES HAVE BEEN ADOPTED AT UNPRECEDENTED SPEED AND SCALE

Once the pieces were in place—and after some innovators and entrepreneurs designed the right formats and business models—social technologies took off with unprecedented speed and intensity. In fact, social technologies have been adopted at a faster rate than any other media technology. While it took commercial television 13 years to reach 50 million households and Internet service providers three years to sign their 50 millionth subscriber, it took Facebook just a year to hit 50 million users. It took Twitter nine months.

In May 2012, Facebook logged its 900 millionth user. It is estimated that 80 percent of the world's online population use social networks on a regular basis. In the United States, the share of total online time spent on social networking platforms more than doubled from January 2008 to January 2011, from 7 percent to 15 percent.⁶ Moreover, social technologies are replacing other Web applications and uses; use of e-mail and instant messaging are off sharply in the past few years.

This growth suggests social technology's almost primal appeal. It is fundamental human behavior to seek identity and "connectedness" through affiliations with other individuals and groups that share their characteristics, interests, or beliefs. Social technology taps into well known, basic sociological patterns and behaviors: sharing information with members of the family or community, telling stories, comparing experiences and social status with others, embracing stories by people with whom we desire to build relations, forming groups, and defining relationships to others.

Social technologies have given these basic behaviors the speed and scale of the Internet. At virtually zero marginal cost, people can interact with a very large group of people, across geographies and time zones. Social technologies have lowered the barriers for joining groups and making social connections; for example, people who do not know each other comment on one another's blog posts or forum contributions. Almost all forms of social interaction—including negative ones, such as bullying—are possible on social platforms.

Still, despite the rapid adoption of social technologies by businesses, there is far more opportunity ahead. In a McKinsey survey of executives at 4,200 companies around the world, 70 percent said that they were using social technology in some

6 ComScore Media Metrix, US, June 2007–May 2011.

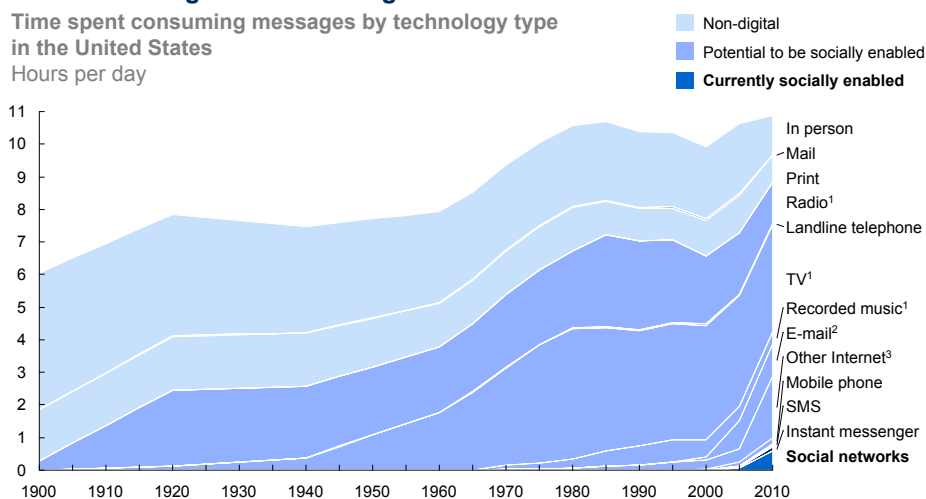
ways and 90 percent of those said they were seeing some degree of business benefits. Yet only 3 percent of companies could be identified as fully networked, meaning that they were achieving substantial benefits from use of these technologies across all parts of the organization and with customers and external partners.⁷ However, penetration and usage are far lower across the millions of small and medium-size enterprises (SMEs). Only 31 percent of American SMEs used social media in 2011.⁸

Another indication of how much more growth potential social technologies have is the relatively small, albeit fast-growing, share of total time spent on communication and content consumption that takes place on social platforms. Americans spend approximately 11 hours a day communicating or consuming messages in various ways, including in-person, watching TV, reading, and using e-mail. Today, the average American spends about 35 minutes (about 5 percent) of his or her total time interacting with content and communicating (which does not capture all messaging via social technologies). This compares with 60 minutes for e-mail and 14 minutes for telephone talking (Exhibit E2). Social media is already responsible for a large portion of growth in Internet use in the past years and is likely to take share from other forms of communication, such as print media and telephones. Interactive social features are also likely to become embedded in broadcast media (radio and television).

Exhibit E2

Social networking accounts for just 5 percent of the time spent communicating and consuming media

Time spent consuming messages by technology type in the United States
Hours per day



1 Radio, TV, and recorded music are slightly discounted to account for the time spent using these concurrently with other media.

2 Does not include e-mail sent internally within companies, which is not counted as Internet traffic.

3 Includes all social technologies that cannot be explicitly separated in available data.

SOURCE: Bureau of Labour Statistics; WAN-IFRA; Statistical Abstracts; National Bureau of Economic Research; US Census Bureau; Radicati Group; Yankee Group; Nielsen; ITU; eMarketer; and others; McKinsey Global Institute analysis

Social technologies also have more growth potential in how they are used by shoppers along the “consumer decision journey.”⁹ Today, relatively few consumers rely on information obtained through social technologies as they research,

7 Jacques Bughin, Angela Hung Byers, and Michael Chui, “How social technologies are extending the organization,” *The McKinsey Quarterly*, November 2011.

8 *The state of small business report: January 2011 survey of small business success*, Network Solutions LLC and Robert H. Smith School of Business at University of Maryland, 2011.

9 David Court, Dave Elzinga, Susan Mulder, and Ole Jørgen Vetvik, “The consumer decision journey,” *The McKinsey Quarterly*, June 2009.

evaluate, and consider products to purchase. In the most active category, electronics, 16 percent of shoppers rely on social input for purchasing decisions; in home goods, only 2 percent of shoppers turn to online social communities for advice. We estimate that eventually up to one-third of consumer spending could be influenced by “social” interactions, which could mean that \$940 billion of annual consumption in some US and European categories could be influenced by social input.

As social applications migrate to mobile devices (e.g., smartphones and tablets), consumer uses of social technologies will continue to multiply. More than six billion mobile phones are in use worldwide, enabling consumers to socialize online wherever they go and inspiring a new range of social marketing applications. By September 2011, Facebook estimated that more than 40 percent of its users were already accessing its service with mobile devices.

SEVERAL DISTINCTIVE CHARACTERISTICS OF SOCIAL TECHNOLOGIES ENABLE VALUE CREATION

Social technologies have several distinctive properties that make them uniquely powerful and help explain their rapid adoption and high potential impact.

- “Social” is a feature, not a product. Social features can be applied to almost any technology that could involve interactions among people (e.g., the Internet, telephone, or television). A social component—a button to “like” or comment—can be added to virtually any IT-enabled interaction, suggesting an almost limitless range of applications.
- Social technologies enable social behaviors to take place online, endowing these interactions with the scale, speed, and disruptive economics of the Internet. Social interaction is a powerful way of efficiently organizing knowledge, culture, and economic and political power. Freed from the limitations of the physical world, people are able to use social technologies to connect across geographies and time zones and to multiply their influence beyond the numbers of people they could otherwise reach.
- Social technologies provide platforms for content creation, distribution, and consumption. At the same time, they enable new forms of content creation, including co-creation and transformation of personal and group communications into content (e.g., a blog posting can be a means to communicate immediate information, but also accessed later as a piece of content). Instead of a small number of editors or producers deciding what content is distributed, any social technology user can create, distribute, comment on, or add to content. Thus, social platforms can extend the “disintermediating” power of the Internet to the masses. For example, rather than relying on intermediaries such as talent agents or record producers to discover new musical artists, the online community chooses—by downloading songs or watching YouTube videos. These technologies change not only the economics of content creation and distribution, but also the nature of content itself, which becomes an evolving discussion, rather than a fixed product.¹⁰

10 See Don Tapscott and Anthony D. Williams, *Wikinomics: How Mass Collaboration Changes Everything*. (New York: Penguin Books, 2006).

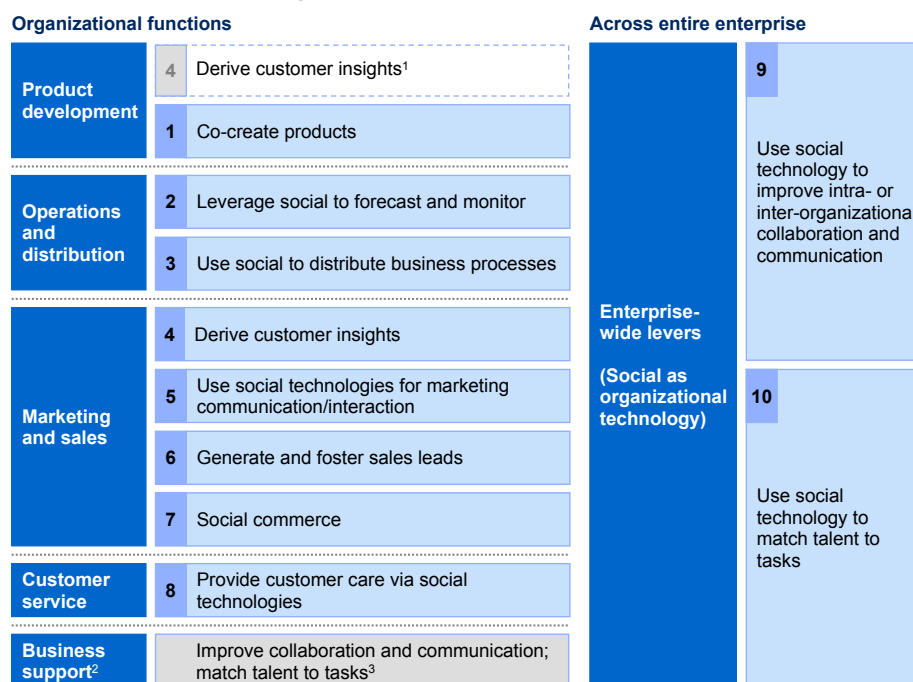
- Social technologies can capture the structure and nature of interactions among individuals. A “social graph” provides a map of the personal connections of a person or a group, which, combined with other data, such as topics these individuals discuss, can be the basis for inferences about groups and individuals. Social graphs capture important information about which group members contribute most and have the greatest influence.
- Social technologies can be disruptive to existing power structures (corporate and governmental). Social technologies allow people to connect at a different scale and create a unified, powerful voice—as consumer groups or entire societies—that can have significant impact on the ways in which dialogues are shaped and policy is made.
- Social technologies enable unique insights, by allowing marketers and product developers to engage directly with thousands of consumers and to monitor unprompted and unfiltered conversations. This can generate more genuine and timely insights into consumer preferences and trends. Social technologies also increase transparency—exposing more information about products and markets, and spreading information about organizations and institutions.

HOW VALUE IS CREATED IN DIFFERENT INDUSTRIES

We have identified ten value “levers,” or techniques, that enterprises use to generate value from social technologies. These tactics fall into four segments of the value chain: product development, operations and distribution, marketing and sales, and customer service. In addition, two enterprise-wide value levers create value by improving organizational productivity (Exhibit E3).

Exhibit E3

Ten ways social technologies can add value in organizational functions within and across enterprises



¹ Deriving customer insights for product development is included in customer insights (lever 4) under marketing and sales.

² Business support functions are corporate or administrative activities such as human resources or finance and accounting.

³ Levers 9 and 10 apply to business support functions as they do across the other functional value areas.

SOURCE: McKinsey Global Institute analysis

In the four industries that we have analyzed in detail (consumer packaged goods, consumer financial services, professional services, and advanced manufacturing), the estimated total annual value creation potential is \$900 billion to \$1.3 trillion. About \$345 billion of this value potential would be available from product development and operations; \$500 billion from marketing, sales and after-sales support activities; and \$230 billion from improvements in business support activities. The value contribution from improved communication, coordination, and collaboration—potentially two-thirds of all potential value from use of social technologies in business organizations—is embedded in these projections.

Individual firms can gain even more. In general, the companies that stand to benefit most have one or more of the following characteristics:

- A high percentage of knowledge workers
- Heavy reliance on brand recognition and consumer perception
- A need to maintain a strong reputation to build credibility and consumer trust
- A digital distribution method for products or services
- An experiential (hotels) or inspirational (a popular sports drink) product or service offering

We estimate that consumer goods companies, which have many knowledge workers and rely heavily on brand recognition, can use social technologies across all value chain steps. If they do so, we calculate that they can increase margins by as much as 60 percent, by using social technologies to connect with customers and to generate sharper consumer insights, as well as by using social technologies to improve the productivity of knowledge workers. Benefits of this range apply only to individual firms and not the entire industry, since they are based on initiatives that increase market share (at the expense of other players). And, it should be noted, simply shifting advertising and consumer insight budgets to social media will not suffice; in the past few years it has become clear that only well-planned and well-executed programs (often incorporating non-social components such as mass media) will capture the potential value of social technologies.

A considerable fraction of the \$900 billion to \$1.3 trillion value potential in these industries could be captured by consumers in the form of lower prices, higher quality products, offerings better suited to their needs, and improved customer service.¹¹ In addition, individuals will benefit from the participation of other individuals in their communities. For example, consumers will benefit from the ability to identify a group of like-minded people, to stay in touch with a network of people, or to access or reach out with a message or piece of content, at almost no cost.

The social sector, too, can benefit from social technologies. Nonprofit organizations and other social sector players can use social technologies to gather information, crowdsource labor and solutions, raise funds, expand their volunteer networks, build support, educate the public, engage

11 Other consumer benefits (e.g., increased customer satisfaction with better products and services) are not yet quantifiable.

supporters, improve collaboration and communication, and establish organizational structures.

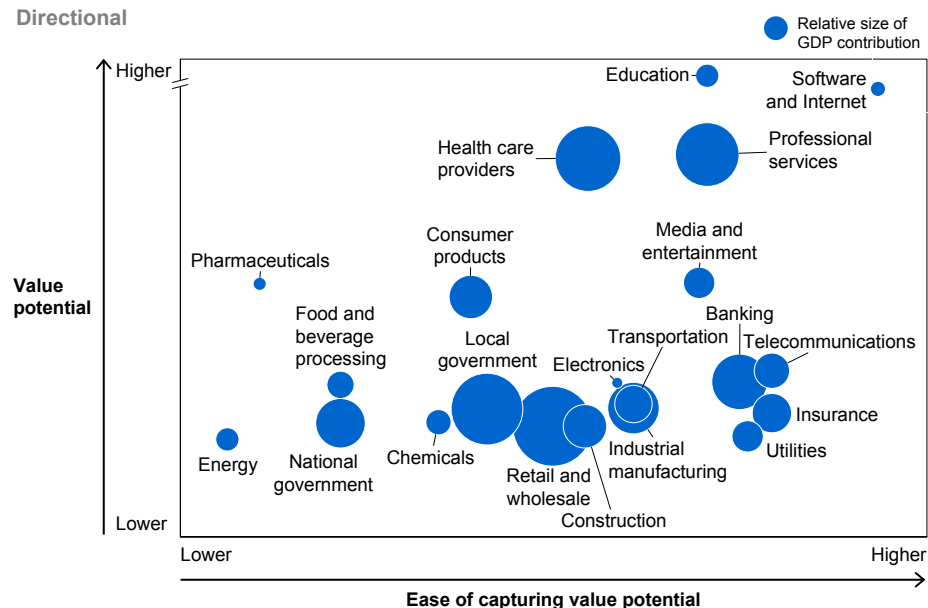
In broad terms, the value that social technologies can generate in an industry is determined by fundamental characteristics of the industry. Exhibit E4 illustrates how some characteristics, such as knowledge intensity, determine how much relative value potential an industry might have and how other characteristics, such as the need to protect proprietary information, influence how difficult capturing that value could be.

Exhibit E4

Potential value and ease of capture vary across sectors

US EXAMPLE

Directional



SOURCE: McKinsey Global Institute analysis

THE VALUE CREATION POTENTIAL WITHIN AND ACROSS ENTERPRISES IS LARGELY UNTAPPED

Our research indicates that there is great untapped potential for social technologies to improve communications and collaboration within and across enterprises. We estimate that social technologies can raise the productivity of interaction workers in large organizations by 20 to 25 percent if they become fully networked enterprises. Two-thirds of all of the value potential we estimated in four sectors relate to these enterprise applications (Exhibit E5). This assumes that social technologies are used by all interaction workers for all relevant activities and that the time that they save in communicating, finding information, and collaborating is then applied to highly productive uses. In most organizations, achieving these conditions will require substantial changes in organizational structure, processes, practices, and culture.

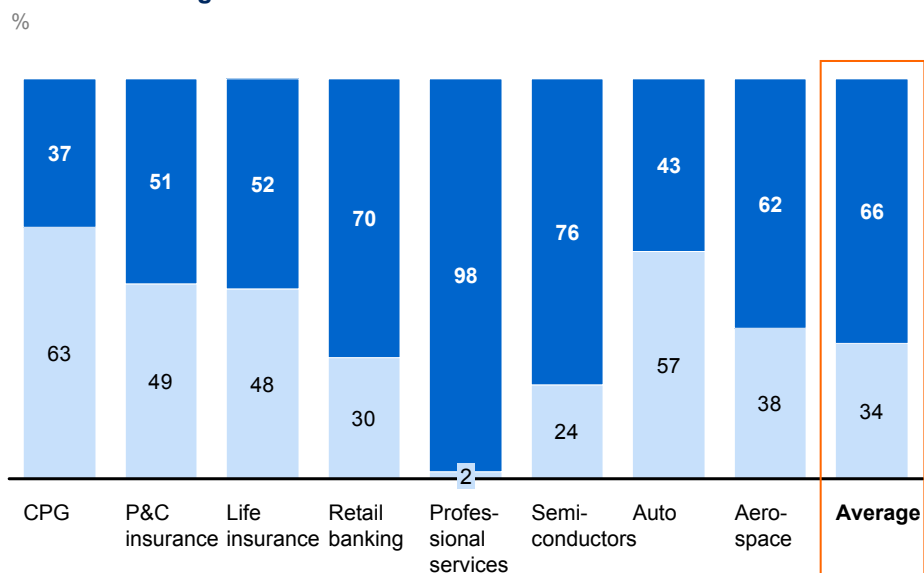
Some of these gains are predicated on shifting communications among interaction workers from channels designed for one-to-one communication (e.g., e-mail, phone calls) to social channels, which are optimized for many-to-many communication. Today, a huge amount of relevant enterprise knowledge is locked up in e-mail inboxes. As more enterprise information becomes accessible

and searchable, rather than locked up as “dark matter” in inboxes, workers could save not only the amount of time they spend on writing, reading, and answering e-mail, but also on the amount of time spent searching for content and expertise. We estimate that total e-mail use by interaction workers could be reduced by 25 percent, freeing up 7 to 8 percent of the workweek for more productive activities. With internal knowledge and information more available on social media, a typical interaction worker could reduce information searching time by as much as 35 percent, which would return approximately 6 percent of the workweek to other tasks.

However, these benefits cannot be obtained simply by installing social software. As with previous waves of productivity-enhancing IT, investment in the technologies has to be accompanied by management innovations to produce real gains. These innovations usually take years to demonstrate their full potential.

Exhibit E5

Value available through collaboration and other benefits of social technologies varies across industries



SOURCE: McKinsey Global Institute analysis

BENEFITS OF SOCIAL TECHNOLOGIES FOR INDIVIDUALS AND THEIR COMMUNITIES

Individuals are the first and most important beneficiaries of social technologies. Unless individuals receive value for using social technologies, they won't use these technologies, and none of the other forms of value can be created. People derive great personal satisfaction from the relationships they are able to maintain, the information they can glean, and the communities they form through their use of social technologies. Various studies have estimated that the economic value of this consumer surplus is significant. McKinsey and IAB Europe (Internet Advertising Bureau Europe) estimated the value of broadband services at approximately \$50 per year per household in consumer surplus in the United States and Europe in 2010. This is projected to grow to about \$253 billion in consumer value. The report estimates that social technologies account for almost

30 percent of that consumer value, or about \$40 billion in 2010 and as much as \$76 billion in 2015.¹²

A significant amount of the value unlocked by companies using social technologies eventually will accrue to consumers, either because market players compete away that surplus or because social technologies provide the insights that allow consumers to purchase goods that are better suited to their needs. When these better products increase total demand, both individuals and enterprises can capture value.

Social technologies, of course, also have the potential to provide individuals with significant non-economic benefits. As people multiply their abilities to organize themselves through social technologies, there is the possibility to effect positive change in communities and governments. Social technologies, for example, were an important enabler of the 2011 Arab Spring. Social technologies can also to help communities collaborate in non-political ways, such as organizing disaster aid.

RISKS OF SOCIAL TECHNOLOGIES

The use of social technologies can also carry risks. One risk is the possibility of abuse, such as excessive employee time spent “chatting” about nonwork-related topics on internal or external social networks or using social media to attack fellow employees or management. Enterprises have taken different approaches to handling this risk, from forbidding nonwork-related conversations or censoring critical opinions to welcoming the critiques and engaging in public conversation with the critics.

Other risks involve breaches of consumer privacy, which could constrain a company’s ability to develop the most revealing consumer insights. Similarly, there is a great need for information security, but a company’s need to maintain data security can limit the ways in which social technologies can be applied. In addition, in many nations, censorship and restrictions on Internet use stand in the way of value creation by companies that hope to enable consumers to interact with them and that wish to harvest deep insights from social data.

CAPTURING THE VALUE OF SOCIAL TECHNOLOGIES

How much future value is generated by social technologies will depend on multiple enablers. Success in implementing and using social technologies in and across enterprises will depend on transforming their organizations and cultures to take full advantage of the collaborative potential of social technologies. Success in deploying social technologies to connect with broader communities will require the ability to create trust, a critical mass of participation, and positive community cultures and practices. Social technology is not just another IT implementation. Nor is it simply a tool to improve communication and collaboration. As has been seen in the consumer context, social technologies unleash creative forces among users and enable new relationships and group dynamics. Some of the most useful innovations in consumer social technologies—the hashtags to organize tweets and the standardized Wikipedia article format—were created by users.

12 *Consumers driving the digital uptake: The economic value of online advertising-based services for consumers*, McKinsey & Company for IAB Europe, September 2010. This work measures social networks, social games, user-generated video sharing, wikis, and blogs. Values are based a USD/euro exchange rate as of April 30, 2010 (\$1 = 0.75208 €).

User innovations can drive the evolution of social technologies within and across enterprises, too, if the culture encourages them.



The real power of social technologies is only just beginning to be understood. That power stems from the innate appeal of interacting socially and the pleasure and intellectual stimulation that people derive from sharing what they know, expressing opinions, and learning what others know and think. As has been seen in early use of social technologies, when these ways of interacting are applied to commercial and professional activities (e.g., developing and selling products, working together to solve a business problem), the resulting value creation is impressive. Scaling these results to industry- and economy-wide levels produces very large numbers. For now, such figures are directional—they represent what could happen, if organizational and cultural barriers can be reduced and if risks can be mitigated. Over the coming years, it will become clear if those hurdles can be overcome.

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This report explains how the Internet today connects about two billion people worldwide. Half of these are in the “aspiring” world—countries as varied as Algeria, South Africa, China, Iran, and Mexico that are climbing the developmental ladder quickly, with diverse populations and inarguable economic potentialities. It examines the impact of the Internet in populous and fast-growing aspiring countries, where it offers even greater potential than in the developed world.



The great transformer: The impact of the Internet on economic growth and prosperity (October 2011)

The Internet is changing the way we work, socialize, create and share information, and organize the flow of people, ideas, and things around the globe. Yet the magnitude of this transformation is still underappreciated. The Internet accounted for 21 percent of the GDP growth in mature economies over the past five years. While large enterprises and national economies have reaped major benefits from this technological revolution, individual consumers and small, upstart entrepreneurs have been some of the greatest beneficiaries from the Internet's empowering influence.



Big data: The next frontier for innovation, competition, and productivity (May 2011)

Big data will become a key basis of competition, underpinning new waves of productivity growth, innovation, and consumer surplus—as long as the right policies and enablers are in place.



Internet matters: The Net's sweeping impact on growth, jobs, and prosperity (May 2011)

The Internet is a vast mosaic of economic activity, ranging from millions of daily online transactions and communications to smartphone downloads of TV shows. But little is known about how the Web in its entirety contributes to global growth, productivity, and employment. McKinsey research into the Internet economies of the G-8 nations as well as Brazil, China, India, South Korea, and Sweden finds that the Web accounts for a significant and growing portion of global GDP.



Clouds, big data, and smart assets: Ten tech-enabled business trends to watch (August 2010)

Advancing technologies and their swift adoption are upending traditional business models. Senior executives need to think strategically about how to prepare their organizations for the challenging new environment.



The Internet of things (March 2010)

More objects are becoming embedded with sensors and gaining the ability to communicate. The resulting new information networks promise to create new business models, improve business processes, and reduce costs and risks.

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