Social Networks in Advertising and Marketing

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Social networking sites rely on the joint collaboration of members, creators, and sponsors. An implicit contract exists between these three parties; members provide content, while creators and sponsors provide the virtual environment enabling connections and interaction. This joint effort, multiple creative sources, and dynamic content make social networking sites somewhat more difficult to define and categorize than more traditional media.

At the same time, social networks offer the promise of better-defined and targetable audiences for advertising, along with the power to spread their endorsement to dozens of friends almost instantaneously. This aspect of social networking sites is extremely promising as a marketing and advertising tool, but there are few examples of it being harnessed in genuinely effective ways. It is not that people necessarily dislike advertising, but their demand for both relevance and entertainment value in exchange for their endorsement seems to be quite high.

These communities often operate by their own rules, however, of which marketers must be aware. As de facto co-creators, members feel a strong connection with the site itself. Users of these sites resemble fan communities in many ways, often of the social networking site itself. Participants in social networks are similarly invested in the nature of the community. Behavior in a social network often parallels users' interactions with others in real life, and when the usual rhythms are threatened, they will speak up, even defecting to another venue if they feel they are being pushed to conform in ways they do not agree with.

This paper explores how social networking sites can be used to increase engagement with media properties and brands by discussing how brands and producers foster stronger, more active, more engaged relationships with their consumers, who are now increasingly powerful word of mouth marketers and, to varying degrees, producers of content in their own right.
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Monetizing Social Networking Sites

Every mass medium, over time, has relied upon one or more specific models for generating revenue. With the exception of cinema and books, which are themselves positioned and sold as cultural products, most media businesses rely at least partially on advertising revenue for their profits. In this regard, the Web is no exception: traditionally, the two most prominent models for monetizing Web sites have been e-commerce - i.e., using a site to sell digital or material goods, services, products, or information - and advertising. Social networking sites have experimented with both of these models for generating revenue.

However, as more sites (and users) adapt to the Web 2.0 model, which emphasizes the importance of creating spaces and structures for social interaction, participation, and collaboration, other possible business models are being introduced and explored. Many of these new techniques seek to capitalize on the advocacy and affinity of fans and their networks, but have not yet determined how to draw a clear link between those behaviors and the bottom line. This section will also review these newer, more experimental approaches to generating revenue, and indicate both the opportunities and challenges inherent in these models.

Advertising & Social Networking Sites

As we saw in the recent controversy around Facebook’s use of site members’ purchasing behavior without their consent1, and in several other instances with Friendster and Flicker, users of social networking sites react when site owners try to exert control or change the rules. This can create some trepidation about placing or increasing advertising on social networking sites. Will members reject the sites with more advertising, and simply move their profile and eyeballs elsewhere? Is advertising...

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acceptable to social networkers? What kind or format works best? Is there a saturation point? Perhaps an even bigger issue is what role social network users are going to play in marketing or advertising. Will the most effective possible role - passing along and otherwise publicizing products and media properties - be compatible with the priorities and rules of advertisers, particularly copyright?

The stakes are potentially very high. Although online advertising spending is still a small portion of the total across all media, analysts have predicted that social networking sites will earn more than $600 million in 2007 and nearly double that to over a $1 billion in 2008 in video advertising revenue. eMarketer conducted a study estimating that spending for U.S. online advertising on social networking sites alone would reach $2.5 billion by 2011, and that does not even begin to assess the value of the in-kind services of fans providing publicity for advertisers for products and services. In this section, we will examine the approaches that advertisers have taken to promoting their product through social networks, and analyze potential reasons for their success or failure. From our review of the literature, two important points become clear: advertising on social networking sites can be accepted and effective, but innovation, interactivity and incentives seem to draw the greatest response.

**Traditional Advertising - Context and trust**

There have been critics of “excessive” advertising as long as there have been mass communications. In any medium, advertisers and some producers are constantly experimenting with the type and quantity of messages that consumers will tolerate and respond to. Is tolerance lower on social networking sites than it might be in traditional media? In environments where the audience has not been conditioned to accept advertising, can it be successfully integrated, or will it cause an uproar among the highly engaged members?

danah boyd has argued that advertising does not necessarily antagonize teen audiences, since most of them have grown up with constant exposure to advertising,

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and that marketer presence will not antagonize communities as long as it is interesting and relevant to them. Research on viral marketing conducted last year by Shape Partners, a New York marketing agency, found “only 5 percent of consumers surveyed would refuse to share branded content with friends...[and] over 40 percent are more likely to forward branded content.”

In some ways, the participatory nature of social networks, in addition to their capability to target younger demographics and track click throughs, makes them a very attractive place for advertisers. Early concerns about the content against which ads would be viewed were addressed by site owners, providing firms with assurances, to some extent, about what would be appearing next to their ads, either by limiting advertising to professionally produced content or selling exclusively against specific demos. On MySpace and YouTube, big brands have refused to have their ads appear alongside unpredictable user-generated content, opting instead for professionally produced material on the site like MySpace Comedy, My Space Films or the YouTube Underground contest.

Although it makes advertisers nervous about the possibility of negative associations with their brand, Young argues that Google's successful use of AdSense on blogs has shown that there are possibilities for controlling, if not the content itself, which content is viewed with which ad.

“As most now realize," he writes, "the fundamental problem that social networks face when trying to monetize through an advertising-driven business model is the lack of trust. To be more explicit, while brand advertisers have historically trusted people as consumers, they do not trust them in the new role of producer (e.g. uncontrollable content). Likewise, people who are armed with the power of interactivity are also demonstrating that they are increasingly distrustful of brand advertisers (e.g. ad-skipping).”

In any case, advertisements are being sold on social networking sites. My Space has actually sold out of video advertising space in the past. At one point, the price per

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thousand ad views was as much as $35-40 on MySpace. In February of 2007, MySpace was generating almost $25 million a month in revenue from advertising, growing at a rate of 30% per quarter. More recently, critics charged, the site has performed below expectations, as its revenue growth had been slow relative to Facebook, despite its larger user base.

Service Deals & Partnerships

Building and maintaining a social networking site is not the only way to benefit from the changing consumer behaviors and the interest in social networking sites. Several large companies, most notably Google and Microsoft, have partnered with sites to provide advertising service while tapping into the wealth of consumer data these networks have to offer. These mutually beneficial arrangements keep the social networks' cash flows steady and their resources free to focus on expanding and improving the site's features to ensure that users come back, spend more time on the site, and provide more data.

Two major deals were reached last year that highlight both the potential value of the user data and the tendency of players on both sides to react quickly to new developments. The first deal, in early August 2006, was between Google and Fox Interactive Media, which includes MySpace. Google agreed to provide search technology as well as web, vertical and contextual ads to sites in the network through 2010. Over this three year period, Google guaranteed Fox Interactive a minimum of $900 million based on the fulfillment of "traffic and other requirements".

About two weeks later, on August 22nd, Facebook and Microsoft made an "advertising syndication" arrangement to provide banner ads and sponsored links to Facebook for three years, but financial details were not disclosed. In a news release, Steve Berkowitz, senior vice president of the Online Services Group at Microsoft, said, "[T]he combination of Microsoft and Facebook strengths will be incredibly

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attractive to advertisers as they forge more meaningful connections with one of the largest, most engaged audiences on the Internet."10

Although the details of these deals remain murky, and both MySpace and Facebook have other partnerships with smaller entities, we focus on their interactions with Google and Microsoft because they have some interesting implications and parallels with traditional media. These deals parallel traditional media - the social network is bringing a certain demographic to the table with their content, and the big companies are acting like media placement agencies, channeling advertising through the site. That has interesting implications both for business models of social networks and Internet companies more generally. Rather than organizing their own advertising sales departments, will popular sites turn to firms that aggregate advertising content and forfeit control of which companies "sponsor" their sites? For advertisers, there are also implications there about how much they can control the context in which their messages are seen.

These types of arrangements have clear benefits for the social networking sites and the advertising partners, but their implications for users have yet to be fully realized. Even if, as we've suggested above, users are not against all advertising, it has yet to be seen how many advertising messages is too many, or how targeted messages can be before users feel their privacy is being invaded. The implicit contract between users and social networking sites may or may not suggest that personal data will be shared, and the comfort level of consumers with this type of sharing is largely untested. This presents some risks and challenges for sites, as well as significant revenue opportunities.

New Advertising

Companies are finding creative ways to position their product, foster engagement, and target the right demographics using the potential network effects of these sites. Generally speaking, there are four features of social networking sites that advertisers have used effectively: friending, groups, viral campaigns, and sponsored features. The benefit of these new methods is that, once put into place, they can be very effective tools to reach and interact with a target demographic. The drawback is that, like any advertising, you can lead the consumer to the message, but you cannot force her to

pass it along or act on it.

MySpace has been the venue for many campaigns that used the profile and friend features of a social networking site to build a brand. Many of bands and musicians that were early adopters of the site capitalized on people's interest in finding and connecting with celebrities by sending invites to add them as friends, growing their networks of fans and developing a base for future promotions.

Musicians and companies recognized that friending a person (real or fictional) is a way of demonstrating endorsement or affinity with a product. This sort of "word of mouth" advertising seems more genuine to potential consumers than paid endorsements or large volumes of traditional advertising. Although the exact financial impact of these endorsements may be under-reported and under-studied, that has not stopped advertisers from experimenting with profiles for brands and/or branded characters and how the social network users respond to them. Although this approach has been heavily used and is consequently more difficult to create a stir with today, it does represent an ideal form of "opt-in" or invitation marketing.

Groups can be used in a similar way, showing on a user’s profile their affinity with a product, program, band, etc. and with other users who share that particular interest. Features like the "Newsfeed" on Facebook, which caused considerable outcry from users when it debuted, are actually excellent ways for a user's network to passively learn of affinities and endorsements from friends, a trusted resource. Recent examples include loosely branded and sponsored groups, like the one for STA Travel, as well as more extensive and supported campaigns, like the one mounted on Facebook for the Chase +1 credit card group, that included banner ads, points for referrals, and on-campus "ambassadors" to "establish a life-long brand and business relationship".

Another tactic that has been used more heavily as website capabilities and connection speeds increase is the use of viral video through social networking sites. Although there are no guarantees that a viral video will take off, the potential for the right video to spread exponentially is such that advertisers are willing to experiment. There are three types of these:

1. "Viral-esque" video, produced by the company itself;

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2. Viral videos produced and sometimes distributed by consumers but facilitated by the company; and

3. Viral videos that are produced and distributed solely by the consumer.

Although there is little written about the financial value of viral video, the right one can generate a great deal of buzz online and in the traditional media. A prime example of this, and of the third variety of viral video, is the "Coke and Menthos" example, which surfaced on YouTube and brought both brands extensive free publicity despite the fact that neither had participated in producing it.

The fourth type of "new advertising" is the sponsored upgrade, which have been seen mostly on MySpace and branded with theatrical movie release titles. Examples include photo album upgrade sponsored by the movie 300 which allows the user to post 300 pictures in their album, and an enhanced top friends feature sponsored by X-Men 3 which allows the user to have up to 16 top friends.

All of these approaches have the potential to be effective, but before selecting any approach, advertisers should consider:

Novelty: Social networks are rapidly evolving media, where communication is rapid and information is easy to pass along. The most effective, compelling campaigns can trigger an avalanche of imitators overnight. As a result, campaigns must have some element of novelty to really catch on, as well as tactics to retain that in the medium-term.

Overall message: In selecting an approach, advertisers must also be aware of the message that their chosen vehicle conveys, how it aligns with their brand's appeal and message, and how form and content can differentiate it from competitors and potential me-too campaigns.

Metrics: Measuring the results of these campaigns can be challenging in some ways, particularly where there is not a direct link between the consumer receiving the message and acting on it. However, setting metrics in advance is crucial in evaluating these "new advertising" initiatives against traditional channels.
Tapping Collective Intelligence

The consumer data available to advertisers through social networking sites evidently seen as a valuable resource to advertisers. However, the potential of this data extends beyond the demographics. Because of it's breadth, depth, and real-time delivery, data from social networking sites can provide a richer insight into consumer preferences and behaviors that could be used to create new approaches and methodologies for e-commerce, audience engagement, loyalty programs, promotions, product development and consumer research. The right approaches could lead to more focused and targeted campaigns with the potential to reduce waste, find the right targets, and generate higher profits.

Trendwatching & Data Aggregation

Trendspotting is a factor in determining the value of a social networking site. Again, social networking sites offer regularly updated, openly volunteered information about users’ media and consumption preferences, that analysts can use to determine sudden surges in popularity – both overall and in specific regions – that might help them anticipate “the next big thing.”

The potential of this information was demonstrated by a Facebook feature, launched in 2005 and quietly removed several months ago, called "The Pulse". The Pulse enabled users to see aggregate data on each profile field in his or her networks, including notable increases or decreases in popularity of certain artists, films, clubs and organizations. Sources at the site claimed it was pulled because it was underutilized. This information was fairly extensive and provided free; given the amount of time people spend on the site and the frequency of their visits, there is likely much more extensive and customizable data available to advertisers and other Facebook partners.

Facebook still has a polling feature, which enables users to create their own polls and distribute them to their networks through the News Feed feature on the site's homepage. In addition to being a good way for users to see what their friends are into, it's also a low-key, albeit unscientific, way for marketers to assess events, products or ideas.
Intelligent Services & Recommendations

Sites like Amazon.com, Netflix.com, Flixter.com, Last.fm all have strong collective intelligence models in place, and are exploring new approaches to leveraging user habits and volunteered preferences to better anticipate target customers for specific products. Another increasingly common application of social networks, and social networking sites, is to use collective intelligence to help refine product and service recommendations based on recurrent patterns of user information.

These types of services lend themselves well to social networking sites, which already display affinities and preferences to the users' networks of friends. In early July 2007, there were Last.fm and Flixter applications on Facebook. There were also four applications to import your Amazon Wish List to Facebook, one to track prices of products on Amazon.com, and two to display your Netflix queue.

Content Sales & Distribution

As social networking sites shift to provide users with more tools and services for sharing and discussing content with their personal networks, more of the major social networking sites are also experimenting with content sales and distribution.

MySpace led the way with this, first because it was largely designed to help musicians and performing artists promote themselves, and even more so after being acquired by News Corp, which saw an opportunity to further distribute and monetize its existing entertainment content. Thus far, MySpace has experimented with both paid and advertising-supported content distribution, of both music and video content.

Facebook and others are now beginning to strike more content deals, with an ever-increasing roster of content providers. CBS is expected to abandon its Innertube strategy in favor of distributing as widely as possible, wherever audiences are already congregated — which includes sites like Facebook, Last.fm, and others.

Brand Building

As they rise in both popularity and registered users, some of the largest social networks are also being constructed as the foundation of new brands in their own right. Like many new media brands, this has been a hit-and-miss endeavor in a space
that is still largely undefined and popularity comes and goes with varying degrees of predictability. Strategies and tactics also vary with each site’s status as part of a larger media company, like MySpace, or as an independent entity, like Facebook.

Friendster, the site that was extremely popular until was, for a while, being floated as the basis for a romantic comedy directed by Harold Ramis and starring Topher Grace, an idea that was withdrawn when it began to falter.12

MySpace is faced with the advantage of being part of a giant media conglomerate, Fox, with the disadvantage of having to build an independent brand as part of that conglomerate. Despite some negative press over safety issues, MySpace has grown more consistently than Friendster, and, with the backing of a larger company, has advanced further with their brand-building activities. There is talk of launching a magazine and one or more television series with various goals, including one about political activism among youth. There was also talk about a MySpace network, at one point, and even in their first year or so, MySpace sponsored concert tours and so on (to build their credibility as a community for music lovers). MySpace's development of their own video application as opposed to YouTube's branded version is another way for the site to build its own distinctive brand.

Recommendations

Based on this research, we can identify specific "do"s and "don't"s for brands seeking to increase their profile through social networks.

1. Do Treat Your Users Like Co-Creators, Taking Lessons from Fan Studies

A community, as web 2.0 sites have reinvented them, are more like a group of fans than a traditional concept of a passive audience. In other words, if you want users to continue participating these communities you “own,” you need to surrender some degree of ownership and control to them as well. The users don’t need to be empowered to run the community themselves, but they also need to be treated as advisors and active participants whose ideas and contributions are appreciated and taken seriously. Users know better than anyone what your site does well, and what it could still do better, even if they don’t always know how to make the site better. A successful community or fan base hinges on getting the participants to feel invested in both the media property and in the community itself.

Since your users won’t always be able to articulate what they would like, their actions also speak volumes: when Friendster users began creating fake profiles (Fakesters), it wasn’t to defy the site’s creators – it was because they had needs, or desires, that were not being met, which led them to develop their own ‘hacked’ solutions.

But the most important thing is not to act like an owner, or benevolent dictator, but as a partner. In so doing both community and producer needs will be listened to and respected.
2. Do Enable & Encourage Self Expression

An essential feature of fan communities and social networking sites is that they are both forums for self-expression.

The degree and type of self-expression and customization users need will be a function of their demographic – since younger users are more likely to be engaged in a process of experimenting with and performing identities, the ability to completely customize and design their pages may be more essential than it is to the demographic of Facebook, which seems to skew older, and views the site more as a toolset for social interaction.

It is key that self-expression is never restricted arbitrarily, especially if the community is demanding it. If it must be limited, the reasons should be explained to the community’s satisfaction and understanding; otherwise, they’re likely to seek out other, less restrictive forums for networking, content sharing, and interaction.

3. Do Let Your Users Establish Context

By allowing users to determine the level of context and detail they want to provide in relation to their individual linked contacts, social networking features become far more useful. Similarly, successful advertising and marketing through fans via social networks should provide mechanisms for fans to highlight and differentiate a brand from the rest of the clutter.

4. Don’t Emphasize Quantity Over Quality

While the growth ambition for these sites often seems to be “as large as possible, as quickly as possible” – which makes the most sense if we’re (mis)understanding these sites primarily as valuable for their traditional advertising implications, where more eyeballs = more value – the desire to grow and incorporate as many members as possible is not always (or perhaps ever) the best strategy in this space. Similarly for marketing or advertising campaigns using these sites, the impact is not so much how many views a viral video gets, but how it has an impact on overall fan engagement and the bottom line.
5. Don’t Try To Be Everything to Everyone

In order to make a meaningful appeal to its users, a social networking site needs to know what it is and what it is not: LinkedIn is an example of a service that has succeeded by choosing a very specific purpose, and focusing on new features that enhance and reinforce, rather than dilute, the usefulness of their site in pursuing specific goals (in this case, professional networking). In selecting a social network to use for advertising or marketing purposes, companies should be aware of the overall message that their participation and affinity with a site may send to fans.

Where MySpace seems to have stumbled, at least for a while, was in their attempt to accommodate as many users, from as many demographics and communities, as humanly possible. The problem is that this approach can result in a glut of features, which dilute the overall experience, and make it unclear what users are “supposed” to do on the site. The most successful new social networking start ups seem to be very focused and purpose or content specific. While this may result in a smaller number of committed users, it also means that we know more about the users that do use the site, which can allow for more targeted advertising, and make these audience/communities more valuable to potential sponsors and advertisers.

One way of testing the waters in these focused, specific “mini” networks is through a service like Ning, which allows members to use a single account to join an unlimited number of specialized “Ning-Powered” networking communities. Facebook applications are also allowing for the development of similar focus-specific features and projects within the larger Facebook site.

Marketers and content providers have also experimented with social networking features, from enabling users to create a profile and post comments on a program's web site, as many of the soap opera sites and CBS's program-branded wikis do, or a new social network, as NBC is currently testing in beta.

6. Don’t Create Another Walled Garden

Perhaps the single most important recommendation in this space is that it is almost never a good idea to attempt to recreate the wheel, and to develop a new, private social networking service: the playing field is already crowded with competitors, and most users are only willing to commit to maintaining profiles and participating regularly in a few communities, at most – and each service becomes less valuable (to the users) as their contacts fragment into more and more separate communities.
Launching a new network from scratch at this point, while it might seem logical as a way to really “own” an audience and generate revenue, is not necessarily beneficial to anyone. Some do work, but it is a risky venture and when it fails, at best, it dilutes existing communities, at worst, it can become an expensive and counter-productive embarrassment.

Acquiring might make more sense – News Corp has certainly been able to leverage MySpace, and its user base, in a wide range of ways to promote other media properties and sell advertising, without the lead time needed to build a substantial, active user base, a key barrier to entry.

At present, the best strategies seem to involve finding meaningful ways to work within the existing social networking sites, or to explore possibilities for shared protocols that might allow users to participate in multiple sites with a single account and membership. Facebook’s much touted “application” platform has already helped several other niche networks and services expand their user bases by integrating their content and features into the larger Facebook environment.

Partnering seems to be the most productive approach at this point, since these networks support symbiotic relationships between network owners, added-service providers, content producers, etc. The core initial question needs to be, what are we going to offer the consumer that they do not have already? Once this is determined, the next question should be, can we leverage an existing community to jump-start (and build a following for) this feature or service? If so, those possibilities are likely to generate the best short-term response.