

# In Social Networks, You Are the Ad

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Facebook has 55 million registered users and amasses lots of data about the habits and preferences of each. This valuable information is precisely what the social network has put within reach for companies with its new “social ads” strategy. It involves a two-pronged advertising system based on the creation of a corporate profile and on Social Ads. By creating their corporate profile, companies can connect with Facebook users like any other user would. This allows them to trace the activity, preferences and opinions of the people they have added as “friends” and use that information for directly targeted marketing. The second main pillar of the program are Social Ads, commercial messages that will now appear in users’ profiles, integrated in their correspondence with friends. This advertising system works in conjunction with the highly controversial Facebook Beacon, which handles the collaboration between Facebook and various commercial brands. The program is at issue because it requires Facebook to follow its users’ activity while visiting the websites of the companies paying to participate in the program. If a Facebook user rents a movie through the Blockbuster website, that action will be reflected in their Facebook profile as well as that of their friends. It is, however, an innovative idea, as it complements the effects of conventional Internet advertising with those of word of mouth, a type of interpersonal communication that is difficult to control but one that happens to be key for a product’s success. As with word of mouth, the success of Social Ads means that the users themselves become propagators of viral brand advertisement messages. Clearly, the effectiveness of these messages will be dependent on Facebook users having friends with similar preferences.

## Question Marks

Facebook, which presents its social ads service as a revolution in advertising, has already reeled in some important brands. Nevertheless, its success is still not guaranteed. One of the major question marks has to do with the quality of social networks on the Internet. Adding contacts on these sites tends to be done in a viral fashion, whereby one friend invites another, who in turn invites a third, and so on. In the end, one user’s network can include not just friends, but also acquaintances and friends’ acquaintances, ultimately reaching gigantic proportions. As a result, a Facebook user could end up being flooded with constant shopping notifications and recommendations from people he or she has little or nothing to do with.

## Keys

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**1** Facebook was created in 2004 by Mark Zuckerberg, then an IT undergrad at Harvard University. After originally being limited to university students, it was opened up to the general public in September 2006. Its popularity skyrocketed and in November of this year the site registered its 57 millionth user.

**2** In October 2007, Microsoft paid \$240 million to Facebook, Inc., for 1.6% of its shares, which means its overall value can be estimated at up to \$15 billion. In July 2005, Rupert Murdoch’s News Corporation acquired another major social network, MySpace, for \$580 million.

**3** Companies that have jumped on the Facebook bandwagon include: Coca-Cola, eBay, Sony, Blockbuster, Verizon and the New York Times. Users living in the United States can already rent movies through the Blockbuster profile on FaceBook, or download ringtones through that of Verizon.

Another negative aspect derives from the way word-of-mouth processes work. Spurring on advertising by means of social contagion is a double-edged sword since the messages are very difficult to control. Coca-Cola's profile on Facebook, for example, already contains comments questioning the company's ethics and others stating that Pepsi is a better soft drink. In any case, positive comments generate brand recognition and increase purchase intent among users, whereas negative feedback can cause major damage to a company's reputation.

Meanwhile, since the launch of Social Ads, users are suspicious about the way Facebook has put the information contained in their profiles "up for sale." They argue that when they started to publish personal information on the site, they were unaware that it would end up being used for commercial purposes. The avalanche of criticisms has forced Facebook to quickly implement changes in the way Facebook Beacon works, and now its users are able to opt out of the program.

The future of online advertising requires major segmentation and social networking sites have all the information about the audience, their interests and habits necessary for achieving that. However, the users' relationship with respect to websites of this type is far more close-knit than the one they have with traditional media, and thus companies that manage social networks will have to be extremely careful with the way they handle the information and the trust that their users place in them. This is the challenge Facebook has now run up against as a pioneer.