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Advertisers Face Hurdles on Social Networking Sites

By RANDALL STROSS

FOR some time, Procter & Gamble, the world's largest advertiser, has been dipping its big toes into the vast pool of Facebook, now the world's largest social network. I recently knocked on the doors of both companies to hear how the experiment was going. Neither was inclined to say much.

Independent experts on Web advertising have been watching, however, and what they see is a myriad of difficulties in making brand advertising work on social networking sites. Members of social networks want to spend time with friends, not brands.

When major brands place banner advertisements on the side of a member's home page, they pay inexpensive prices, but the ads receive little attention. Seth Goldstein, co-founder of SocialMedia Networks, an online advertising company, wrote on his Facebook blog that a banner ad "is universally disregarded as irrelevant if it's not ignored entirely."

When advertisers invite members to come to pages dedicated to their products, they can attract visitors only by investing in expensive creative material or old-fashioned promotions like prize contests.

And when they try to take advantage of new "social advertising," extending their commercial message to a member's friends, their ads will be noticed, all right, but not necessarily favorably. Members are understandably reluctant to become shills. IDC, the technology research firm, published a study last month that reported that just 3 percent of Internet users in the United States would

willingly let publishers use their friends for advertising. The report described social advertising as “stillborn.”

All Web sites that rely on ads struggle to a greater or lesser extent to convert traffic, even high traffic, into meaningful revenue. Ads that run on Google and other search engines are a profitable exception because their visitors are often in a buying mood. Other kinds of sites, however, can't deliver similar visitors to advertisers. Google's own YouTube, which relies heavily, like Facebook, on user-generated content, remains a costly experiment in the high-traffic, low-revenue ad business.

Financial data would show the current state of Facebook's advertising, but none are available. Facebook is privately held and a spokesman told me that it does not disclose revenue or any information about its ad sales.

As for P.& G, the company permits Facebook to talk about the results of only a single P.& G. promotion, presumably its most successful to date: for Crest Whitestrips. The promotion began in fall 2006, when P.& G. invited Facebook members in 20 college campus networks to become Crest Whitestrips “fans” on the product's Facebook Page. Facebook said it was a great success, attracting 14,000 fans.

One could argue, however, that with the additional enticements that Crest provided — thousands of free movie screenings, as well as sponsored Def Jam concerts — a brand of hemorrhoid cream could have attracted a similar number of nominal “fans.”

Becoming a “fan” required nothing more than a single click. When Facebook talks about its 130 million members worldwide, it's careful to include only active members, defined as those who have logged on within the past 30 days. But when it shows the total number of “fans” on a sponsor's page, it treats all fans as active.

Without endless investment, these sorts of promotions sputter out. More than 4,000 of the onetime 14,000 Facebook fans of Crest Whitestrips have left the fan club.

Outside of official brand pages, Facebook offers space on members' personal pages that are viewed many billions of times monthly. I ran a small-scale test

ad myself over two weeks and paid a varying rate that dropped and dropped, and on the last day would have permitted me to place the add on one million pages for only \$80. But companies generally do not like the idea of their brand sharing space with unvetted material supplied by users. The IDC report said, “Brand advertisers largely consider user-generated content as low-quality, brand-unsafe inventory.”

At a conference last month sponsored by the Advertising Club of Cincinnati, Ted McConnell, manager of interactive marketing and innovation at P.& G., said, “I really don’t want to buy any more banner ads in Facebook.” His remarks were offered as his personal reflections, not the official position of his employer, and were available on the Web in a podcast of the talk. A spokeswoman for P.& G. later told me that the company “is committed to our strong relationship with Facebook” and had used the site for “roughly a dozen P.& G. brands,” either previously or currently.

Facebook’s ability to aim at particular demographic groups is impressive, Mr. McConnell told the club. As an experiment, he and a colleague set up an ad that would target all Facebook members who were 22- to 27-year old women, who worked for P.& G., were left-leaning and living in Cincinnati, and who liked sex and Cocoa Puffs. Facebook provided one person who perfectly fit the profile. Speaking not as an advertiser but as a prospective recipient of such highly personalized messaging, Mr. McConnell said, “I’m not so sure I want to be targeted like that.”

Brand pages won’t make anyone uncomfortable about privacy issues. But one has to have a compelling reason to seek out these pages. The P.& G. spokeswoman pointed me to its “2X Ultra Tide” page. Here one finds an 11-month-old campaign, “American’s Favorite Stains,” where members can post their “favorite places to enjoy stain-making moments!” When I checked last week, it displayed a grand total of just 18 submissions, including two from P.& G., two from someone at The Onion and one-word posts like “Tidealicious!”

In his remarks to the club, Mr. McConnell said, “All brands want consumers to be their ‘friends.’ Oh, boy, do they!” But speaking for himself, he said he had reservations about the very premise. “I don’t want to be best friends with a brand,” he said. “It’s just stuff.”

TOM ARRIX, a regional vice president for sales at Facebook, said that as a new option, the company began offering “engagement ads” this fall. These ads are accompanied by an invitation for a member to take some action besides just looking at the ad or viewing an embedded video, but without leaving the page. A “Become a Fan” button could be offered, for example. Herbal Essence shampoo, a P.& G. product, has run such ads since September, but neither P.& G. nor Facebook would comment on the results so far.

Mr. Goldstein of SocialMedia Networks describes a self-perpetuating cycle in social networks: “Advertisers distract users; users ignore advertisers; advertisers distract better; users ignore better.”

Brand advertisers on Facebook can try one of two new approaches. They can be more intrusive, but the outcome will not be positive. Or they can create genuinely entertaining commercials, but spend ungodly sums to do so.

When Facebook convinces advertisers to stage Super Bowl-sized entertainment every day, its future will be assured.