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## Social Network Ads: Too Close, Too Personal?

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By Brian Morrissey

**NEW YORK** When Facebook CEO Mark Zuckerberg meets with advertisers and agencies here on Tuesday, he will introduce what the company is billing as nothing less than "a new way of advertising." To live up to that claim, Facebook will need to walk the line of getting brands close to its users without scaring them.

Facebook is expected to unveil an ad model that will show ads to users on and off the site based on their profiles, social connections and their friends' recent activities. The move follows MySpace's recent effort to begin mining its roughly 110 million users for information that better targets ads—a plan that also will run ads on other sites.

Analysts and agency executives say the moves to uncover what a News Corp. executive once called the "digital gold" of user-interest data and social connections could herald the evolution of behavioral targeting as the greatest advance in Internet advertising since Google perfected keyword-targeted search ads seven years ago.

"It changes everything," said Michael Barrett, chief revenue officer at Fox Interactive Media, the News Corp. unit that includes MySpace. "Every form of targeting has been trying to get to what that individual is thinking about, passionate about and interested in. It defines the next generation of targeting."

For that to come to fruition, Facebook and MySpace will need to convince users that their profile data is fair game for targeting. Other behavioral targeting networks are already grappling with this problem. A group of privacy organizations last week called for the adoption of a "Do Not Track" list that would allow consumers to register for a list that would prohibit behavioral-targeting ad networks from using their prior Web habits to target ads. (Ad networks that are members of the Network Advertising Initiative already offer "opt-out" cookies that tell networks not to track users.) The Federal Trade Commission held hearings last week on consumer privacy that focused on new forms of behavioral targeting.

Any move by Facebook to use its profile data to show ads off its site would run into opposition, said Dave Morgan, founder of Tacoda, a behavioral ad network acquired by AOL in July. "Things like Facebook to many people are very personal," he said. "It's going to require real transparency to consumers so they don't think it's creepy."

But for social networks to live up to their promise—Facebook has a \$15 billion valuation despite one investor's estimate it will generate just \$150 million in revenue this year—they will need to dip into the personal information and connections that define their sites. In the past four months, about 50 advertisers have used MySpace HyperTargeting, a system that mines profile data for ads running on MySpace and other Web sites. It began with 10 broad interest categories—sports, music, gaming, etc.—and is now expanding into thousands of sub-categories. MySpace plans to build an ad network, initially encompassing other Fox Interactive Media sites but also including non-News Corp. sites, in order to mine profile data to show ads to users wherever they are online, Barrett said.

Full details of Facebook's SocialAds are not yet known. The company declined to comment in advance of the meeting. According to sources, however, the aim of SocialAds is to find ways to embed advertising more naturally into the site and develop an ad network for showing placements on other sites. (As part of the deal it inked with Microsoft that included a \$240 million investment, Microsoft sells the display ads on the site.) Facebook is expected to use the data available in user's profiles to more carefully tailor offers served through its News Feed tracking feature. Those ads have already performed well, with some gaining click-through rates over 10 percent.

"They've built a better mousetrap about how to leverage that data on an individual level," said Joshua Stylman, managing partner of Reprise Media, a digital agency owned by Interpublic Group.

The flow of information to friends within the network is a ready-made recommendation engine, offering hope of igniting the elusive word of mouth. MySpace is constructing an "influencer" option for advertisers to find users with large, active friend networks and interests in specific categories, such as music. To determine an influencer, MySpace will examine not just their interests but their group membership, friends' interests, site activity and other factors, Barrett said.

Universal Pictures used MySpace's new targeting options to promote Sydney White this fall. It focused on users who expressed an affinity for star Amanda Bynes or teen-girl movies. Doug Neil, svp of digital marketing at Universal, said granular targeting is attractive, although not without its drawbacks. "The question is how many people does that mean?" he said. "Is it 2,000 people or 200,000? The reality is it's on the lower end until you increase those keywords to be more broad."

And there is always the risk that such targeting will backfire if the information on personal profiles is fabricated. Facebook is thought by agencies to have an advantage since, unlike MySpace, more people use their profiles to connect to real-life friends, rather than to create online personae that are closer to fiction. Barrett admits that many MySpace profiles are unreliable. Its technology looks for potential inaccuracies—a self-identified 99-year-old male interested in windsurfing, for example—and excludes those profiles from HyperTargeting. In all, 80 percent of profiles have been judged accurate for targeting, and the quality is better than registration data at a portal like AOL, said Barrett, a former executive there.

So far, users either haven't noticed or don't mind. MySpace has heard few complaints, said Barrett. Facebook has already felt the sting of privacy concerns after a near user revolt when it initiated News Feed in September 2006. It died down when Facebook made small changes and reminded users of their privacy options. Yet even if consumers accept the profiling, simply showing more targeted banners isn't a game changer, according to Scott Shamberg, vp of e-marketing at Critical Mass, an Omnicom Group agency.

"I don't think you're getting the real value of the differentiator, and that's the power of the community itself," he said.

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