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Advertising on Social Networking Websites

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Abstract
The rise of social networking websites such as MySpace and Facebook over the past decade has been nothing short of phenomenal. Once regarded as nothing more than a passing "fad", these websites have grown to astronomical proportions; each website currently boasts 60+ million unique visitors each month. Certain businesses are beginning to notice the potential for reaching out to their target audiences through this new medium and have already begun a series of advertising efforts in order to do so; however, the spend on this form of advertising is relatively minor compared to other efforts. This paper will establish why social networks are important to businesses as an advertising medium and attempt to review the current advertising methods that are in place.

Keywords
Social networks, advertising, Facebook, MySpace, YouTube

Disciplines
Public Relations and Advertising

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Advertising on Social Networking Websites

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May 2008

ABSTRACT

The rise of social networking websites such as MySpace and Facebook over the past decade has been nothing short of phenomenal. Once regarded as nothing more than a passing 'fad', these websites have grown to astronomical proportions; each website currently boasts 60+ million unique visitors each month. Certain businesses are beginning to notice the potential for reaching out to their target audiences through this new medium and have already begun a series of advertising efforts in order to do so; however, the spend on this form of advertising is relatively minor compared to other efforts. This paper will establish why social networks are important to businesses as an advertising medium and attempt to review the current advertising methods that are in place.

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TABLE OF CONTENTS

1. Introduction……..3
2. Research Objectives…….4
3. The Rise of Social Networks and Why They are Important……5
4. Social Network Profiles
    - **a.** Reasons ……...8
    - **b.** Facebook……10
    - **c.** MySpace……12
    - **d.** YouTube……14
5. Advertising Campaign Case studies
    - **a.** Dell…….16
    - **b.** Apple iPod touch……18
    - **c.** Sponsored Facebook Gifts…….20
    - **d.** Sony SnowGlobe……...22
    - **e.** Barack Obama's online campaign……23
6. Criteria for Successful Advertising……25
7. Conclusions and Further Research……27
8. Bibliography……..28

1. INTRODUCTION

Community-based websites, more commonly known as social networking websites, have come to the forefront of the online world in recent times. Even though there have been many platforms, both online and offline, that have attempted to connect people, none have succeeded as much as these websites, who each boast over 60+ million unique users per month. This paper will provide some relevant background information on the history of these networks and profile three of the most prominent networks today in further detail: Facebook, YouTube, and MySpace. The reasons for selecting these networks in particular will be described in the paper.

Besides providing an arena for people to interact with one another, they also display a great deal of potential for businesses to easily reach their target audiences through advertising. Most corporations have already created multiple methods of advertising in this new medium. These range from the traditional form of search engine advertising that was pioneered by Google to newer forms such as the creation of product groups that people can join on Facebook. This paper will attempt to establish the criteria for successful advertising on these social networks. In doing so, it will review some of the existing methods that are used by corporations and use relevant metrics to measure their effectiveness in reaching out to consumers.

Since social networking websites have only come to the forefront in recent times, there is hardly any academic literature that has discussed this trend in depth. Buy-side research reports created by firms such as Piper Jaffray, business periodicals such as The Wall Street Journal and BusinessWeek provide a great deal information on this topic. Websites that report exclusively on social networking news such as Mashable are also used as they provide balanced information on this issue.

2. RESEARCH OBJECTIVES

This paper has two main objectives:

I. **To establish the importance of social networks as an advertising medium**: Social networks have gained a great deal of attention over the last seven years, but advertisers have not fully embraced the medium to reach out to consumers. Currently, the time spent by consumers online far outweighs the advertising spend on online media: US consumers spend 46% of their time online, but only 2% of the total US advertising spend is on internet ads. (Exhibit 1) There is a great deal of potential to market more aggressively to consumers using this platform and this paper will attempt to prove this hypothesis.

II. **To determine the criteria for successful advertising on this new medium:** Ever since the first pop-up advertisement hit the internet in 1994, internet users have accepted advertising as a necessary evil on the internet. However, consumer preferences have evolved along with the internet: they no longer want intrusive, flashing and irrelevant ads that taint their online experience. Advertisers have had to adapt their tactics to reach out to consumers. This paper will attempt to define the criteria for creating successful online advertising in community based websites. It will also provide examples of advertising methods and campaigns that have proved successful and others that failed to have a meaningful impact on their audience.

The paper will first provide a brief history of social networking websites and examine the reasons for their increasing relevance to advertisers.

3. THE RISE OF SOCIAL NETWORKS AND WHY THEY ARE IMPORTANT

According to Danah Boyd and Nicole Ellison, social networking sites can be defined as "web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system." According to this definition, the first social networking website was launched in 1997. SixDegrees.com allowed its users to create profiles, list their friends and peruse others' friend lists. In promoting itself as "a tool to help people connect and send messages to each other", it attracted millions of users. However, the company failed to create a financially viable business model and closed its doors in 2000. Other websites which partly matched the above definition, such as AsianAvenue, BlackPlanet, Cyworld and LiveJournal, were launched in this timeframe.

The next phase of social networking websites began with the launch of Ryze.com in 2001. Building it with the purpose of helping people leverage their professional connections, Ryze's founder introduced his website to other future founders of social networks, such as Friendster, LinkedIn and Tribe.net. They believed they could all exist without cannibalizing each other's user bases. Friendster was launched as "a social complement to Ryze" and was designed to "help friends-of-friends meet, based on the assumption that they would make better romantic partners than strangers." It quickly grew to 300,000 users through word-of-mouth before traditional media coverage of the website began. However, the website became notorious due to its restrictive policies, especially the deletion of 'Fakesters' or fictional user profiles. This resulted in many early adopters leaving the website and its popularity waned quickly.

Rumours that Friendster was turning into a paid networking service led to many people defecting to the newly formed MySpace in 2003. In addition to becoming a hub for indie rock bands, the website also began adding features according to user demand and allowed users to customize their profile pages. The website also became a popular destination for teenagers and eventually became the face of the next phase of social network evolution by late 2004. Other social networks were popular in certain countries: Orkut, Google's foray into social networking, had large followings in India and Brazil. Windows Live Spaces, Microsoft's social network associated with its instant messaging service, became popular in Mexico, Italy and Spain. Other social networking websites became popular within their target demographics. When launched in 2004, Facebook was extremely popular among American college students. Even after opening its doors to anyone with a registered email address, the website still boasts an 85% market share of American college students. Other websites intended for sharing digital media, such as Flickr and YouTube, quickly became popular among the online community as well.

There are four main reasons for social networks playing more prominent parts in companies' advertising strategies:

I. **Large reach:** In December 2007, the top three sites, Facebook, MySpace and YouTube, had roughly 161 million unique visitors combined in the US alone. This accounted for roughly two-thirds of the total US population online and nearly half of the total US population. Additionally, internet users worldwide are spending increasing amounts of time on activities with 'social connections' (Exhibit 2). By incorporating social networks in their advertising strategies, American companies can reach out to a large user base spread across the country with relative ease.

II. **Cost efficiency:** Advertising on social networks is relatively cheap compared to other traditional media: it usually has a similar or expanded reach at much lower costs. In addition, it is possible for companies to generate free publicity through creative advertising techniques. There have been a number of successful viral marketing campaigns on YouTube and Facebook in recent years.

III. **Targeted advertising:** Advertisers have access to a great deal of information about users and their interests, allowing them to customize and target their ads to a degree not yet seen in any other advertising medium. For example, if a user lists 'pro wrestling' as an interest on their Facebook profile, the website's advertising system will generate advertisements based on that particular interest. However, this can raise privacy issues: Facebook's Beacon targeted advertising system suffered a great deal of backlash and had to be modified heavily to appease its users.

IV. **Time spent online:** People are spending increasing amounts of time online, especially on social networking websites, at the expense of traditional advertising media such as television and newspapers. (Exhibit 1). This can be viewed as a result of many of the traditional functions – news, television shows – of the old advertising media being shifted online to social networks such as Digg and YouTube. As a result, advertisers are increasingly looking for ways to reach out to consumers who are spending more and more time online

However, despite numerous efforts of companies to reach out to users, they are becoming increasingly disenchanted by the lack of results. In the next section, we will narrow down the social networks to examine for successful advertising campaigns

4. SOCIAL NETWORK PROFILES

a. Reasons

For the purposes of this paper, I have decided to focus on three social networks: Facebook, MySpace and YouTube. Even though there are several social networks that are flourishing on the internet today, I went with these three websites for four reasons:

I. **Reach:** Facebook, MySpace and YouTube are some of the most heavily trafficked websites on the internet today (Exhibit 3). Though the user base may be leveling off in the US, the websites show no signs of slowing down internationally. Even though there may be some overlaps in user bases among the three, this still gives advertisers relatively cheap platforms to easily target and reach out to a large global audience.

II. **Prominence:** As these websites are among the largest and most popular internet properties, it comes as no surprise that most businesses would use them to reach out to consumers. All three websites attract heavy attention from advertisers, as seen in the comScore advertising statistics for February 2008 (Exhibit 4). In particular, YouTube's acquisition by Google in October 2006 allowed them to use Google AdSense, the most popular advertising platform on the internet, in order to earn larger revenue streams. Also, the acquisitions of 1.5% of Facebook and MySpace by Microsoft and Fox Media respectively indicate the future advertising potential for these websites.

III. **Customizability:** Businesses have a number of ways to develop unique advertising methods on these three websites. With the launch of Facebook Platform and MySpace Developer Platform, businesses can advertise through the creation of applications:

widgets that can be added to a user's profile in order to provide them with increased functionality such as entertainment, more information about the user and so on. In particular, Dell has been able to successfully reach out to users using a Facebook application; this will be examined in further detail later in the paper. Other customizable advertising methods include Facebook and MySpace pages/groups, Facebook gifts and YouTube channels for businesses. As will be established later in the paper, customizability is a large factor in successfully reaching out to users on these websites; less popular social networking websites do not offer this sort of functionality.

IV. **Data and Personal Experience:** As these three websites are among the most popular on the internet, there is no shortage of information on them. Business periodicals and research reports detailing every single facet of each website's operation are very easily available online. Traffic statistics, user base information and other relevant data may not have been easily available for other, less popular social networking websites. Additionally, I have used Facebook and YouTube extensively over a long period of time in order to connect with friends and watch videos. Thus, I am familiar with most of their features and was able to use some of this knowledge in conducting my research

Keeping these reasons in mind, the next three parts of this section contains a profile of each of the three websites.

b. Facebook

While studying psychology at Harvard University, Mark Zuckerberg had founded a number of sites including Coursematch, which allowed users to view others who were in the same degree program , and Facemash, where people could rate the attractiveness of their fellow classmates In February 2004, Zuckerberg, along with Dustin Moskowitz and Chris Hughes, founded "Thefacebook" from their Harvard dorm room; 1200 students signed up within 24 hours and half the undergraduate student body had opened accounts within a month. In March 2004, the website was expanded to include other elite schools such as Stanford and MIT. By the end of the year, which saw the website grow to 1 million college students, Zuckerberg took a leave of absence from Harvard and relocated the company's operations to Palo Alto, the heart of Silicon Valley. 2005 saw the expansion of networks to include high schools and international schools. The company also changed its name to Facebook after acquiring the rights to the domain name.

2006 saw Microsoft partnering with the rapidly maturing startup for banner ad syndication. This was the beginning of a relationship that would bear significant fruits a year later. However, the decision to open the website to anyone with a registered email address proved instrumental in the social network's meteoric rise. In May 2006, the month that the company opened its doors to everyone, it had 14 million users; by the same time next year, the user base had nearly doubled to 26.6 million, a staggering growth rate of 89%. The company also launched its application development platform, Facebook Platform, at the F8 event in May 2007; this allowed developers to create widgets that could be used to customize user profiles and provide them with additional functionality. By October 2007, the company had reached a user base of 50 million and launched their application platform for mobile users.

The company had always seen a great deal of interest from venture capital firms. In May 2005, it raised $12.7 million in funding from Accel Partners and nearly a year later, it raised $27.5 million from Greylock Partners, Meritech Capital Partners and other venture capital firms. In October 2007, Facebook struck a deal with Microsoft to expand their original deal to cover international markets. The Redmond giant also invested $240 million in a 1.5% equity stake of the startup, valuing it at $15 billion. The deal made headlines around the world and announced the arrival of Zuckerberg's company as a major player in the future of the internet. Even though growth in the company has slowed down in recent months in the US, it has reported significant growth in international markets to take its user base to approximately 70 million.

One of the social network's greatest strengths to advertisers is the availability of a wealth of information about its users. The website's structure encourages people to register with their real names and put up relevant personal information such as hometown, favourite books, activities and other demographic information that advertisers thrive on to target consumers. The startup's foray into sharing user information and online activities with advertisers through their Beacon service proved to be relatively unpopular with users. The backlash forced Zuckerberg to apologize publicly to Facebook's user base and they changed the mandatory nature of the service to opt-in. However, the company still exhibits enormous potential for advertising: it is currently the 6th most trafficked website on the internet and boasts an extremely large global user base. Furthermore, the addition of Facebook applications, gifts, pages and groups gives companies multiple options for targeting users through their advertising campaigns.

c. MySpace

The history of MySpace has been a matter of public dispute. Trent Lapinski, a journalism student was hired as a free-lancer to do an article on the company's history and business model; when he requested News Corp for an interview during his research, they began "harassing his employer" and did not allow the work to be published "based on groundless legal implications." He decided to sell the article to Valleywag, a member of the popular Gawker Media network in order to expose its true history. According to his research, MySpace was started by eUniverse (now Intermix Media), a pioneer in the field of unsolicited email advertising, popularly known as 'spam'. In June 2003, one of eUniverse's employees, Chris DeWolfe, had joined Friendster, a fairly popular social networking site back then. He sent out invitations to other eUniverse employees until everyone had an account.

The eUniverse employees quickly recognized the potential of the social networking concept and decided to mimic Friendster in creating a new website. Using eUniverse's established infrastructure and resources, they would be able to market the website effectively and overtake Friendster. The team worked fast in creating MySpace: it only took them 10 days to set up version 1.0. DeWolfe's original business plan would have had the company selling accounts to users; Brad Greenspan, a fellow employee instrumental in the website's creation, quickly nixed the idea and proposed that the entire revenue model be based on advertising. eUniverse cannibalized some of their existing properties in getting the website off the ground: CupidJunction, a popular eUniverse dating website with over 3 million user accounts, were encouraged to set up profiles on MySpace.

The venture was extremely successful and can boast of over 100 million user accounts, 70 million of which are from the United States alone. In Lapinski's opinion, the website has become "the next generation of marketing, advertising and promotion, exquisitely disguised as social networking". The company has become extremely successful by allowing its members access to a large platform in order to promote themselves. The profile pages of members can be endlessly customised, from embedding media throughout the profile to changing the background, font and other aesthetic facets of the page. This has allowed corporations and advertisers to create special pages for their products to target MySpace users. In addition, advertisements are littered throughout the website from the time users log on to the profile pages and groups they access when perusing the site. In June 2005, News Corporation, under its Fox Interactive Media division, acquired MySpace for $580 million as they recognized its potential for monetization. Additionally, it would allow them access to a large user base for their other online divisions.

MySpace has a number of advantages as an advertising platform over Facebook and YouTube. In addition to having a larger user base than both companies, statistics reveal that users spend more time on MySpace than on the other two websites. The company also boasts over 1 billion visits per month, more than Facebook and YouTube combined. (Exhibit 5) Although traffic and growth have leveled off recently due to competition, MySpace still posits a formidable means for companies to reach out to a global audience. Additionally, the company has a wealth of options for advertisers: the application platform similar to that of Facebook's, the user groups for common interests and the steady stream of traditional online advertising methods through the website are just some of the ways corporations can reach out to consumers.

d. YouTube

YouTube was founded by three friends - Steve Chen, Jawed Karim and Chad Hurley – all of whom were employees of PayPal. The idea had developed innocuously enough: they had all gone out to dinner together and Karim had recorded part of it on his digital camera. He tried to share it with his friends later, but discovered that there was no easy way to do so over the internet. They decided to develop a website that would allow users to share digital camera videos easily; this eventually resulted in the launch of YouTube.com on 15th February 2005 with the company's offices located in San Mateo, California. The website received $3.5 million in funding from Sequoia Capital in November to cover its operating costs. The respected venture capital firm would go on to invest an additional $8 million in April 2006.

The website quickly gained popularity among savvy web denizens. By December 2005, it had as many visitors as iFilm, a website that had sold itself to Viacom for $49 million. Initially, YouTube did attract many people who uploaded digital camera videos; however, the website's horizons quickly expanded to copyrighted content such as highlights of TV shows, sports events and concerts. This quickly led to copyright infringement claims from content providers such as NBC, who forced the company to pull down all their videos in February 2006; this included the extremely popular clip *Lazy Sunday* from NBC's Saturday Night Live show. The content providers quickly backtracked when they realized the potential for advertising through YouTube. NBC, CBS and Sony BMG were among the conglomerates who signed exclusive content deals with the startup. YouTube continued to grow at a torrid pace throughout the year. As of February 2008, the company commands a 56% share of the US online video market. (Exhibit 6)

On 9th October 2006, Google announced a deal to acquire YouTube for $1.65 billion in stock, making this the company's second largest acquisition ever. Though the startup was relatively unproven with regards to revenue generation potential, analysts felt that this would give the search giant "a stronger foothold in the burgeoning social networking market" and could also help it "extend its highly successful text-based search platform into video, which could wind up being even more profitable." Additionally, the company could use its highly successful Google Ads platform to generate further advertising revenues; according to CEO Eric Schmidt, "the combination of Google and YouTube would make Google more desirable to advertisers."

YouTube has several advantages that make it attractive to advertisers. The company's reach has expanded to roughly 79 million unique visitors from the US alone in February 2008 (Exhibit 6) and over 150,000 videos are uploaded daily. Additionally, the company has entered into several strategic partnerships with media conglomerates to air exclusive content online; these deals ensure that YouTube will remain at the forefront of the online video market for years to come. The website is also a part of the Google network of websites which continues to remain the most successful advertising platform on the web, attracting a great deal of attention from marketers (Exhibit 7). Finally, the website provides opportunities for companies to create viral marketing campaigns for free, drawing a lot of attention to the companies and YouTube itself. Cadbury's, the British confectioner, created a campaign called "Gorilla" and uploaded the commercial to YouTube after it first aired on television. It received over 500,000 views within the first week and also spawned a series of authorised spoofs on the website, further promoting the company's products indirectly. Thus, it is clear that YouTube offers a number of options for creative advertisers and that the best advertisements take full advantage of the medium's flexibility.

5. ADVERTISING CAMPAIGNS CASE STUDIES

a. Dell

One of the most recent trends in corporate America has seen companies becoming more socially responsible: they have released more environmentally friendly products in response to heightened consumer demand for such products. Dell Inc., once the largest computer manufacturer in the world, had seen its market share drop in 2006 and 2007 after facing heavy competition from companies such as Hewlett-Packard and Lenovo. Furthermore, it had seen some internal management turmoil with the CEO, Kevin Rollins, replaced by the company's founder, Michael Dell, in order to return to profitability and reinvent the brand. His newest initiative was a focus on environmental sustainability and he decided to employ a number of means to ensure that consumers associate Dell with social responsibility.

Dell employed Federated Media, a social media marketing agency, to create the ReGeneration Graffiti Contest on Facebook. Using Graffiti Wall, a popular application that enabled users to create their own art, users had to submit work based on the theme "What does Green mean to you?" When participants clicked on the link to begin submitting their work, they briefly saw the Dell ReGeneration logo on the Graffiti canvas for a few seconds before it dissolved (Exhibit 8). The best 150 drawings would be selected by user votes and the top 6, determined by a panel of judges, would receive Dell 22" Ultrasharp Widescreen Flat Panel Monitors. The winners, in addition to a few other chosen works, would be used in online advertising campaigns.

The contest was a large success by a number of standards. Over 7,300 works of art were submitted in one week and, during the user voting period between January 26th and January

31st 2008, there were over 1 million votes to determine the 150 finalists. The competition received a number of mentions in popular technology websites, including Technorati where it received over 197 blog posts, and over 9,000 ideas to make Dell more environmentally friendly were submitted on Dell's ReGeneration.org website.

The contest was unobtrusive as it was not heavily advertised using Facebook's banner and text ads; instead it relied on word of mouth among the established Graffiti Wall community of over 8 million users. Additionally, whenever people competed in the contest, the application would notify their friends using the Facebook Notification system and encourage them to participate, thus displaying elements of viral marketing. The campaign was creative as well: it used an established user base of over 8 million users and the inherent structure of Facebook – the fan page, groups – in order to deliver its message of environmental sustainability in an imaginative fashion. The Dell ReGeneration logo, which was subtly displayed before people began working on their art, was used in a number of submissions even though there was no requirement to do so. Finally, it engaged users fully as well by encouraging them to take charge of the creative process and submit their artwork online. By using their final submissions in advertising campaigns, Dell created a sense of identification between its brand and consumers. According to Jeremiah Owyang of Web-Strategist.org, this campaign was a success overall as it "they turned the action over to the community, let them take charge, decide on the winners, all under the context of the [ReGeneration] campaign." It also moved the "active community from Facebook closer to the branded Microsite, closer to the corporate website, migrating users in an opt-in manner that [led] to hundreds of comments". The company is continuing to use social networks through through the creation of its IdeaStore website, where users can give suggestions directly to its CEO.

b. Apple iPod touch

Apple Inc. has always inspired overwhelmingly positive responses from its devoted user base. The Cupertino-based consumer electronics manufacturer has amazed millions of people the world over with its innovative and stylish products for over twenty years. Lately, the power of the internet has enabled these people to harness their creativity in creating tributes to the company and its products. Nick Haley, an eighteen year old student at the University of Leeds in the UK, was one such consumer who was inspired by Apple's new MP3 player, the Apple iPod touch. He put together a thirty-second video clip using images and video clips taken from Apple's official website set to a song by a popular Brazilian band, CSS, within a day and uploaded it to YouTube in September 2007. The clip received overwhelmingly positive responses from its viewers and a rating of 4 out of 5 stars.

Among the home-made video's viewers were some of Apple's marketing employees, who were impressed by what they saw. They got in touch with Haley through their advertising agency, TWBA/Chiat/Day, about producing a professional version of his commercial. Haley then flew to the company's headquarters where his concept video was edited and filmed in high-definition. He received a generous contribution towards his university education and several Apple products for his efforts. The advertisement eventually formed the cornerstone of the iPod touch campaign in America and Europe, initially airing on the popular TV show 'Desperate Housewives' and the World Series. As of today, the original clip has received over 1.5 million views on YouTube and its rating has improved to 4 and a half stars.

Even though this campaign was not created by Apple initially, the company took advantage of the video clip to generate positive publicity for the iPod touch and for taking a

different approach to their advertising by fully embracing user-generated content. The advertisement was unobtrusive: it was not heavily promoted on YouTube initially and was only visible to users who used the search terms 'iPod touch'. The quality of the clip generated positive word-of-mouth reviews and resulted in it being shared on popular technology blogs and websites, ultimately reaching out to Apple itself. Instead of taking the legal route and suing the young student for using the company's copyrighted material, it quickly realized the potential of the campaign and responded imaginatively by taking the raw material from the clip and converting it into a finished, professionally produced advertisement that was aired on television. Apple took advantage of the inherent structure and characteristics of YouTube, especially the proliferation of home-made commercials and sharing of videos, in order to bolster its own marketing efforts. This campaign was initially started through user engagement: Haley's initial efforts were responsible for generating positive responses from YouTube users and Apple employees. By adopting a variant of this advertisement and asking Haley for his assistance in producing a professional version of the ad, Apple improved its relationship and level of identification with its brand among consumers. The company's future approach with user-generated advertising content on social networks is unclear as of May 2008, but Steve Jobs, the iconic CEO of Apple, has clearly taken a step in the right direction in inexpensively harnessing the power of this advertising medium.

c. Sponsored Facebook gifts

On February 7, 2007, Facebook launched its "Gifts" application, which was installed on every user account. This application enabled people to send virtual gifts to each other which could be displayed on their profiles to varying degrees according to their privacy settings. (Exhibit 9) There are limited numbers of each type of gift; each gift costs a user $1 and there are certain discounts available when bought in bulk. This application can be viewed as Facebook's response to the increasingly popular trend of monetising virtual goods on social networks. Described as 'behavioural goods' by Susan Wu, a prominent venture capitalist, gifts "although intangible, have been assigned personal and social value that members of a virtual world will hold [its] worth." According to estimates by Lightspeed Venture Partners, over 270,000 Facebook gifts are given each week and they are estimated to bring in approximately $15 million of revenue for the social network. (See Facebook Gifts Analysis.pdf)

Lately, corporations have noticed the potential for marketing their products through this application. GE, Axe and CareerBuilder, among others, partnered with Facebook to release gifts that promoted their products (Exhibit 10). 250,000 copies of each gift were made available for free to Facebook users, who eagerly responded to them. According to Lightspeed, these sponsored gifts were given at 150,000 units per week, almost 200 times faster than regular gifts. Due to the low number of units available, this results in the sponsored gifts selling out almost instantly. By shifting the revenue stream from the end-user to themselves, advertisers are able to promote their products by allowing consumers to spread the word themselves.

This form of advertising is relatively unobtrusive: while new gifts and publicly given gifts may appear on users' home pages and News Feeds, these settings can be easily adjusted and

the Gifts application can be entirely removed from a user's account. Furthermore, the recipients of gifts can choose to hide or remove them from their profile pages. However, in using Facebook's notification system, the application encourages further participation among users and their friends, though the process of gift-giving itself is entirely optional. The variety of sponsored gifts available and the imaginative use of this application also demonstrate the sponsors' creativity. These companies have used the inherent structure of Facebook by taking an existing application with an extremely large user base and marketing their products to consumers. Additionally, the gifts themselves are creatively designed; in order to promote the movie 'Speed Racer', Warner Bros. made the car used in the movie, the 'Mach 5', available as a gift to Facebook users on the day of the movie's release (Exhibit 10). The gift quickly sold out within hours of availability. Finally, the process of gift-giving on Facebook results in user engagement. Giving sponsored gifts could relate to user personalities: e.g. giving GE's 'Save Energy' badge for Earth Day could be viewed as either the recipient or the giver or both parties displaying a level of environmental consciousness. Furthermore, this would result in a level of identification with the sponsor and its product as displaying similar values to the recipient or giver, fostering closer relationships among the parties.

Though this application has displayed great success with corporate sponsorship, a logical next step to further engage users and demonstrate advertising creativity would be to let consumers create their own gifts using pre-determined corporate themes. Though the inherent technology underlying the Gifts application does not currently allow for this, the Facebook developers are capable enough to modify the application for using it in this manner, which would benefit the network and its sponsors greatly if correctly developed.

d. Sony SnowGlobe

Perhaps picking up on this gap for creating virtual gifts before giving them to friends, the Sony SnowGlobe was an application that allowed people to create their own Sony branded snow globes (Exhibit 11). It was relatively unobtrusive as users were not bombarded with advertisements regarding the application; even its addition did not see any Sony advertisements on user profiles. One glaring deficiency was the lack of any application sharing or friend notification features in the products. It was a creative way for the company to advertise the brand without any direct reference to its products by calling the application Sony SnowGlobe and having the Sony logo on the actual globes. It required a high level of user engagement as well as application users got to design their own snow globes and send them out to friends.

The campaign proved somewhat unsuccessful for Sony: there were only 4,500 copies of the application installed and approximately 45 people used it on a daily basis, resulting in an extremely low engagement rate of 1%. The failure of this application was attributed to a number of factors such “long text instructions” and “no tabbed navigation” by internet columnists; the glaring deficiency in this application was the lack of ability to share the application with friends, not taking advantage of Facebook’s capabilities to do so. Sony appears to have learned from its mistakes though: the company’s movie division recently entered into a successful partnership with the popular ‘Vampires’ application on Facebook to promote its horror movie ‘30 Days of Night’. (Exhibit 12); the application already had a large installed base and was minimally branded with advertisements for the movie. It held a sweepstakes contest to “generate registrations and glean intelligence” and required 10,000 entries to deem the campaign successful; ultimately, the application received over 59,000 entries, well over its target.

e. Barack Obama's online campaign

Barack Obama, the Democratic senator from Illinois, managed to capture the public spotlight during his campaign to become the President of the United States with his promise for change across the political system. His fluency as an orator and focus on post-partisan rhetoric have both resulted in an overwhelming show of support from the younger generation in particular. As a relatively young candidate in the running for the presidency, he was familiar with Facebook, MySpace, YouTube and other social networking websites, but underestimated the power they wielded over its audience. A week before Obama officially announced his candidacy, he attended a rally at George Mason University in Fairfax organised by members of a Facebook group "Students for Barack Obama". He was impressed by the support, noting that it was "a remarkable achievement, a remarkable event that speaks to what young people can do when they put their minds together."

Since then, Obama's campaign has taken full advantage of the opportunities afforded to him by these websites in consolidating his hold on the young voter demographic and reaching out to them on their terms. Obama has set up an integrated presence on Facebook, MySpace and LinkedIn and YouTube (Exhibit 13); he has also created his own social networking website, My.BarackObama.com, which has over 70,000 members as of April 2008 (Exhibit 14). His presence is strongest on Facebook, where there are numerous groups with thousands of members, including "One Million Strong for Barack Obama" with over 500,000 members and "Barack Obama for President in 2008" with nearly 80,000 members. Chris Hughes, one of the co-founders of Facebook, joined the Obama campaign and has provided him with the requisite support on this front. Obama was the first presidential candidate to launch an application on

Facebook that enabled his supporters to receive the latest updates from his campaign; some people have voiced suspicions that his campaign received early access to the API development platform due to Hughes, which would result in a major breach of trust if it were true (the campaign denied all accusations). This campaign was an immense success on many levels. Obama's official Facebook page has over 800,000 members, the largest such fan base on the social network. Additionally, videos of his speech "A More Perfect Union" received over 1.3 million views within a day of him giving the speech; it has received nearly 4 million views as of April 2008. The video "Yes We Can", a celebrity endorsement video for the senator, reached over 17 million views on the website. Finally, online channels contributed $6 million to the $25 million of funding to his campaign raised in the first quarter of 2007.

Obama's online presence did not rely heavily on advertising through banner ads and more traditional forms of online advertising, unlike the rest of his campaign which relied heavily on television and print advertisements. The word-of-mouth approach and unobtrusive nature of the campaign quickly garnered support among youth voters. Furthermore, the campaign took a more creative approach with being the first to develop an Obama application for Facebook and creating an integrated online presence: his MySpace page has links to all his profiles on other social networks (Exhibit 13). The campaign also engaged users, sharing messages and videos authored by the senator himself; these exchanges endeared users to him and fostered a sense of loyalty. People frequently requested their friends to add the Obama application; they also shared news articles and videos about the presidential candidate using the established infrastructure of the social networks. By creating a unified online presence and actively reaching out to his voters, Obama has managed to capture a large portion of tech-savvy youth voters with minimal effort.

6. CRITERIA FOR SUCCESSFUL ADVERTISING ON SOCIAL NETWORKS

Based on the above case studies, there are **three** criteria that advertising campaigns on social networks need to fulfill in order to be successful:

I. **It has to be unobtrusive**: The inception of the internet saw the first iteration of online advertising in the form of pop-up ads: these opened new browsing windows flashing advertisements that would distract users from optimally experiencing the website. However, consumer preferences saw increasing means to combat unwanted advertising. The advent of the pop-up blocker, which prevented any pop-up ads from opening on computers, forced advertisers to rethink their tactics. Thus, there has been a trend towards online advertising becoming less obtrusive and more integrated with the look of the page.

The advent of social networks has seen internet users becoming more and more empowered. They have free reign over how they portray themselves online, aided by the structure of the social networks themselves which allow them to capture their individuality online. They do not wish to be bothered by advertising at every possible opportunity, else they will leave. In fact, Facebook and MySpace are currently facing this problem; an article in BusinessWeek reported that many users were dissatisfied with the high level of advertising on both sites and have stopped using them as a result. Thus, in order to be successful on social networks, future advertising campaigns have to be unobtrusive to ensure that users listen to their messages. Companies are increasingly relying on the structure of social networks to spread the message among their users using technology savvy word of mouth techniques such as sharing articles, videos and

applications. The SnowGlobe application did not have any "clear way to invite friends" and there was no way to "see snowglobes that friends created"; clearly, this was a large contributing factor to its lack of success.

II. **It has to be creative:** Advertising on social networks has to eschew traditional forms of online advertising, such as text-based ads and banner ads, in order to reach out to users. Social network website users are increasingly ignoring these forms of advertising as they reiterate similar messages and detract from usage experiences. In order to attract attention, companies need to deliver their message in imaginative ways that have never been done before. They should take advantage of the structure of social networks, such as applications on Facebook and MySpace, and the easy sharing between parties in order to spread awareness among users.

III. **It has to engage users:** As mentioned earlier, social network websites have empowered users and allowed them to be creative. The technology behind the websites has enabled its users to fully display their unique personalities online. Companies can harness this expression of creativity by engaging the users in the advertising process themselves through social networks. This will give users a greater sense of involvement with established brands, eventually identifying themselves with the companies. Even if the advertisements do not harness users' creativity, they should encourage user participation and involvement in order to develop a closer relationship. Sony was extremely successful with its campaign for '30 Days of Night' by just encouraging users to play Vampires and enter the sweepstakes contest, although one way they could have improved on the campaign would have been to create characters based on the movie to bring the users closer to the brand.

8. CONCLUSION AND FURTHER RESEARCH

Even though this paper attempts to shed some light on the developments in social media recently, there is still a great deal of work to be done in this topic. For one, advertising on social networking sites that went beyond the traditional banner ads started as recently as 2007. If another two or three years were to elapse, researchers would have data from many more advertising campaigns to work with in studying this phenomenon. One possible shortcoming of this paper is that it examines mostly successful cases in order to draw its hypotheses about successful criteria for online advertising. Unfortunately, time constraints and lack of information prevented the testing of these hypotheses against more unsuccessful cases. This is an area which cannot be ignored in future research.

Another possible shortcoming of this paper is its mostly qualitative approach to determining the criteria for success. Again, time constraints played an important part in this, in addition to the choice of focusing on secondary research which lacked any valid quantitative measures. The development of metrics that comprehensively analyse the successfulness of online advertising campaigns has always been a stumbling block for the advertisers and the media themselves; clearly, the older metrics of click-through rate and the like do not work in this new medium. If one were to develop metrics that can tangibly measure these new criteria such as level of user engagement and unobtrusiveness, it would prove to be a great development in this emerging field of marketing. Finally, this effort focuses heavily on the social networks *du jour*. Future research could focus on other emerging and popular networks in order to detail their inherent structure and characteristics that advertisers could take advantage of to reach their audiences.

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