

SOCIAL MEDIA AND BRANDS: THE ADVERTISER'S DILEMMA

by Dave Evans

Author of "Social Media Marketing an Hour a Day"



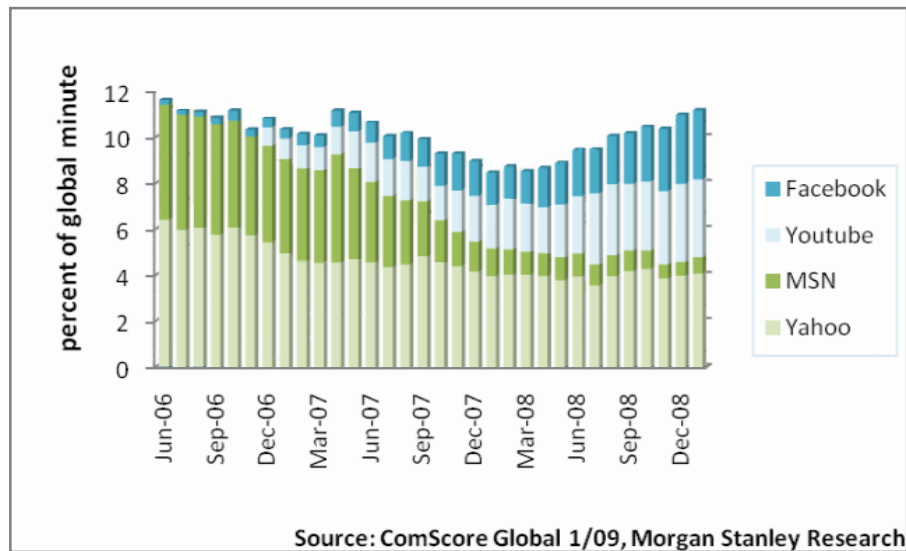
Social Media and Brands: The Advertiser's Dilemma

The Great Media Transformation

You may not have noticed it, but it's been happening. You still read the paper, call your friends, and check your email when you get to the office each morning. You know about Facebook and have probably spent some time on it – it's certainly been well covered by the press. More than likely, your kids have Facebook pages. You know social networking is a growing trend. But you may not have realized the powerful force that social networking has become – and the transformative effect it's had on the way people connect. The shift to the Social Web and its impact on advertisers is what this whitepaper is all about.

The Shift to the Social Web

Time spent on the Internet has been steadily shifting from news and product-related sites to the Social Web, where interaction, participation, and connections *with friends* are the primary activity. This trend started long ago, in the 1990's, with AOL and other early forms of social Internet sites. The mainstream adoption of high-speed Internet and the advent of the modern social networking format have accelerated the trend during this decade, and the past two years have seen this shift become a true transformation. Just since 2006, social sites Facebook and YouTube alone have displaced almost 50% of the time consumers used to spend on portal sites Yahoo! and MSN.



Social Media's Amazing Growth

One reason you've seen Facebook mentioned in the news so much is its amazing growth in the last two years, growing 500% between 2006 and 2008¹ and topping 200 million members in early 2009². Started in 2004, Facebook reached 150 million users in less than five years. Compare that to the iPod, which took seven years to achieve 150 million users. Or the cell phone, which took 14 years. Or the television – 38 years. Presently, users spend more than 3 billion minutes on Facebook *every day*.³

Twitter, the latest up-and-comer, grew by an astounding 1382% in 2008⁴. Both Twitter and Facebook are showing tremendous growth in older demographics, spreading beyond simply a haven for youth. However, the Millennial generation remains the demographic that speaks the language of social networking fluently; they've grown up on Facebook, feel entirely comfortable there, are connected with most of their friends, and look to social media as a valuable source of their daily news and information. Each passing year from now forward pushes this comfort with the Social Web further into the mainstream and further toward the "norm" as a behavior with regard to media consumption.

Facebook statistics (source: Facebook)		
	Feb 2008	Feb 2009
Total daily minutes of use	1.1 billion	More than 3 billion
Users who update status daily	4 million	15 million
Users who become "fans" each day	250,000	More than 3.5 million
Photos uploaded each month	250 million	More than 850 million
Pieces of content shared each month	13 million	More than 24 million

Why the Growth?

The Social Web is fundamentally different from traditional media – newspapers, television, books, and radio. Because it is *participative* the audience is part of the creative process and helps to generate content. Consumers spend much more time on social media sites than they do on traditional websites. The typical user on Facebook spends 169 minutes a month there. Compare this to the New York Times website, where a reader spends an average of 10 minutes a month, and you have a clear illustration of the shift from traditional media to the Social Web. Social media users are doing much more than simply reading, too: they are contributing, interacting, and sharing within their networks. People use social media to connect with friends – as well as get news and entertainment. It's part of a generational shift away from traditional methods of communication. Imagine: The next generation will never subscribe to a newspaper, have a land-line phone number, use email regularly, or watch prime time TV.

"The next generation will never subscribe to a newspaper, have a home phone, use email regularly, or watch prime time TV."

¹ Netpop Research LLC, "Social Networkers US: Who they are and what they mean for next generation advertising,"

² Facebook

³ Fortune: "How Facebook is taking over our lives" February 17, 2009

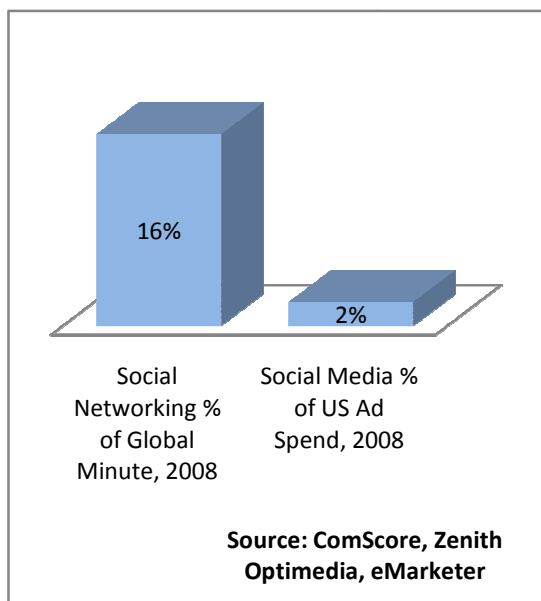
⁴ Nielson: "Twitter's Tweet Smell of Success," March 18, 2009

Where are Advertisers?

Given this dominant trend in consumer attention, one would expect advertisers to flock to the social networking medium – yet it hasn't happened. While internet advertising spend is increasing, the share allocated to social networks is 2% in the U.S., nowhere near in alignment with the 16% of the online time users spend on social media. A gap is opening between consumers and advertisers, and right now content created by other consumers is filling the gap. Although social media ad spend is expected to grow 57% in 2009, it will still only reach \$716 million, a mere drop in the bucket compared to overall media spend⁵, and by that time **social media time spent will surpass 25% of all online time**.

One big reason for the popularity of social networks is that each user's site is personalized and relevant specifically to them. On a social network, the individual has control over who can communicate with

them, raising the level of trust, and filtering out irrelevant content. Messaging is from and about friends and connections, which immediately makes it more relevant, interesting, and engaging.



Compare this with traditional and online media: Despite the efforts to target ads demographically, they seem impersonal to social networkers. Only 19% of Millennial Internet users find ads on social networks relevant to them, and 36% claim to never click on them.⁶In fact, CPMs on social networks are 10-20 times lower than traditional internet site CPMs, and can be as low as \$0.20 compared to typical banner ad rates of \$5-\$10 across mainstream Internet sites.⁷Low CPMs are driven by weak demand, which in turn is driven by poor

performance. The fact is, the banner ad format that's been developed to succeed on Yahoo!, Google, and other traditional sites is proving to be quite ineffective on social networks.

The Advertiser's Dilemma

This creates a dilemma for advertisers searching for ways to reach consumers. They've heard the buzz, and seen the numbers – they know that Facebook is the place they should be to reach both today's consumers as well as the all-important next generation of loyal fans. Yet



⁵ eMarketer, Social Networking Ad Spending Update, May 2008

⁶ MarketingCharts: SocNet Ads Not Relevant to 81% of Millenials

⁷ Industry price checks conducted in CQ1 2009

“A gap is opening between consumers and advertisers, and right now content created by other consumers is filling the gap.”

they feel effectively shut out, because the familiar advertising methods are clearly not working.

As we make this shift from the traditional to the social web, the tools for addressing users are clumsy and outdated, just as they were during previous media transitions. The first programs and commercials on television were actually radio announcers broadcast on the air. Rather than truly taking advantage of this new media type, they fell back on what they had always done in the past with radio. Of course, over time, TV programming grew became increasingly sophisticated. We are standing at the same point now, at the dawn of the Social Web and it’s not just another channel for the prior era’s display ads.



Engaging in the Social Web

Given this dilemma, you might ask whether it’s even possible for advertisers to participate in the Social Web. The answer is that they can, but that transporting traditional advertising methods to Facebook and other social networks is not the best approach. To reach consumers on social networks, advertisers have to understand and follow the etiquette of social networking – trust, transparency, engagement, and connection through friends. When a message comes to a social networker through a friend – a trusted source -- the message is received with much higher credibility than an ad⁸. An emerging class of social media placement platforms--social advertising--works exactly this way.

⁸ Keller Fay Group, PQ Media 2008

Social Advertising

Social advertising is a way of propagating branded messages across social media through the engagement of members and their connected friends. Because users voluntarily choose to spread the message, social advertising must be fun, engaging, easy to use, and appealing. Basic terms of engagement are entirely different from traditional advertising:

- Marketers provide entertainment, information, value, and fun for the user
- Users participate and share with friends because they are interested
- Brand imaging and messaging is accepted and even engaged with
- User response and input is accepted and encouraged

The effort of creating a great user experience pays off for social advertisers through the high level of credibility attached to their application when it's passed from one user to another. "Customers trust each other more than anybody else" reports Jeremiah Owyang, a Forrester Research analyst.⁹ Consumers pay more attention to a message that comes through a friend rather than an advertiser. Combining a referral from a trusted source and an enjoyable customer experience, social advertising creates a branding experience that consumers are happy to engage in.

Participation by Choice

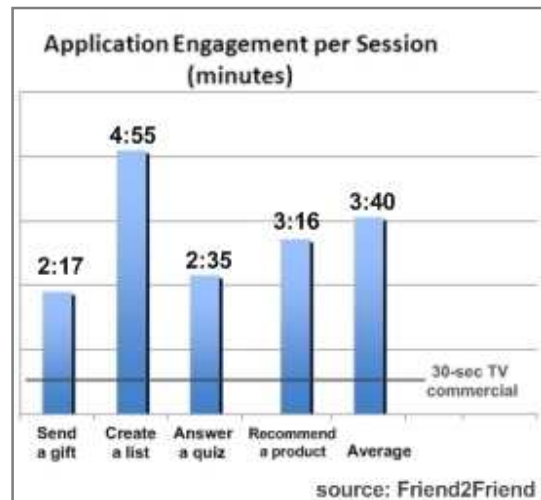
Creating social advertising that consumers participate with voluntarily is part of the social media experience. Social networks are highly personal, with users choosing to join, choosing to visit, and choosing friends to connect with. Once a user makes the choice to participate in a branded activity, each friend of that user can see the activity on their newsfeed—appearing as an endorsement from their friend rather than an advertisement. Due to Facebook's high adoption throughout the United States and the world, the average user on Facebook has 120 friends¹⁰. With such a high level of connectedness, it's easier for product buzz to quickly go viral through social advertising. Messaging is spread through invitations, notifications, and newsfeeds, creating rapid growth for applications and high levels of user engagement.

⁹ The Future of the Social Web, by Jeremiah K. Owyang, April 27, 2009

¹⁰ Facebook

Engagement with Brand

In fact, the true power of social applications is that they engage, entertain, and invite participation from the user. A banner ad may get a few seconds of attention from a user, if that. Compare that to the engagement time in a social application. A user may start by reading a news feed or an invitation from a friend. Then they move to the application and participate in an activity, such as choosing one of several products to send as a gift, add to a wish list or vote on. In many cases, after spending time completing the activity, they also add a personal comment, and may then be shown another relevant ad for the page or join the brand's Facebook fan page. Average time spend on a these social applications is three and a half minutes.¹¹ That's seven times the length of a standard television commercial.



Many users come back to participate in the application numerous times, and if they've added the app to their Facebook applications list or joined the Facebook fan page, they've created an ongoing relationship with the brand which can be a future opportunity for offering news, information, product offers or other targeted information from the brand.

Technology Choices

The premise behind social advertising is the voluntary connection with brands, the endorsement that creates, and the viral spread of that endorsement through the user's connected network of friends. The technology that supports this premise is rapidly expanding, and includes a host of methodologies which have been proven successful:

Facebook applications – as more Facebook apps are developed and tested, reliable formulas are making it easier to attach a brand or product to an app that will successfully connect with audiences

Facebook Connect – released in May 2008, Facebook Connect creates options for linking Facebook with activity on other websites and bringing endorsements from those websites into the Facebook community

Facebook Fan pages – brands are staking a claim on Facebook through brand pages, and offering relevant, current, and participatory content for their loyal customers

Twitter – building, understanding, and responding to Twitter buzz is becoming a mandatory activity for brands

¹¹ Friend2Friend

Summary

Media has changed, and advertising methods must adapt to fit them. As social networks give more control to consumers, brands need new methods of connecting and engaging with them in the context of social media. Social advertising is a new approach that creates this opportunity for engagement by leveraging the connections between friends. By offering value and entertainment on social networks, brands connect with users who have a genuine interest in their products, are prepared to engage and interact with their products, and will share their products with friends.

In fact, according to Forrester analyst Jeremiah Owyang, social advertising will become even more important to brands over the next five years. "Because of peer-to-peer trust, it's critical that, as marketers promote their products or services, the focus is on community and that advocates within each community." Doing so, he says, will be "the only way a brand can scale."¹²

About Friend2Friend

This report is sponsored by Friend2Friend, a pioneer in social applications that support businesses interested in adopting social media based marketing programs as part of their overall marketing mix. Friend2Friend provides a range of services that make social networks work for brands, including:

- Social Network Buzz Creation: where real consumers engage with and recommend branded products to their friends.
- Sponsorship of a Viral Application: a brand's product(s) are integrated into the social interaction of a successful Facebook application, providing deep user engagement and broad exposure
- Custom Applications Featuring a Brand and Their Products: Friend2Friend designs, develops and implements branded social media applications on Facebook or any other social network
- Facebook Fan Page Creation, Optimization and Embedded Applications
- Extending a Campaign to Facebook: brand's campaign is integrated into an existing or new application or fan page, bringing it onto the network and making it social

With Friend2Friend, you can be part of the conversation that's happening on social media, not stuck in the sidelines. Contact Friend2Friend by calling 650-330-0900 or visit www.friend2friend.com.

¹² "Social Media: The Five-Year Forecast" by Jeremiah Owyang, Forrester Research

About Dave Evans

Social Media Strategist and co-founder, Digital Voodoo

"If I couldn't interrupt you, how would I reach you?" That's the question Dave starts with as a social media strategist focused on marketing and the impact of the Social Web on businesses.

Dave is the author of "[Social Media Marketing: An Hour a Day](#)", a practical, hands-on guide to the implementation and measurement of social media as part of an integrated marketing program. Building on the approach he outlines in his book, Dave listens to what a client's business communications needs are and then evaluates current operations, marketing, and management processes. Working alongside his clients, Dave develops an effective, measured approach to the use of social media and the achievement of organizational and business goals.



Dave has extensive advertising experience, having worked with GSD&M and its clients including Southwest Airlines, AARP, Wal-Mart, PGA TOUR, Dial, and Chili's as a strategy director for integrated communications. Prior to advertising and marketing, Dave worked with Progressive Insurance Company as a Product Manager, and a Systems Analyst for the Voyager deep space exploration program with Jet Propulsion Laboratories/NASA.

Dave cofounded [Digital Voodoo](#) in 1994. Digital Voodoo provides strategic marketing services for clients wanting to tap the power of the social Web. In 2005, he cofounded [HearThis.com](#), a podcasting service firm focused on social media and marketing. In 2006 Dave joined Friend2Friend as a Board Advisor as part of his continuing work around the Social Web.

Dave holds a BS in physics and mathematics from the State University of New York/College at Brockport and has served on the Advisory Board with ad:tech and the Measurement and Metrics Council with WOMMA.

Resources/Recommended Reading

For additional reading, we recommend these informative reports:



Morgan Stanley: Economy & Internet Trends, March 20, 2009

Available at

<http://www.docstoc.com/docs/5045631/Meeker-Tech-09>



The Future of the Social Web, by Jeremiah K. Owyang, April 27, 2009

Available at:

<http://www.forrester.com/Research/Document/Excerpt/0,7211,46970,00.html>



Global Faces and Networked Places: A Nielsen report on Social Networking's New Global Footprint, March 2009

Available at:

http://blog.nielsen.com/nielsenwire/wp-content/uploads/2009/03/nielsen_globalfaces_mar09.pdf