

### 3.3 Case study 2: Social advertising on Facebook

The number of Facebook users has grown dramatically in the last decade and is now estimated to be approaching 1 billion (September 2012)<sup>1</sup> with a strong penetration across all regions in the world.<sup>2</sup> Nowadays, a Facebook user's social network has become a very good reflection of many people's real-life social network (Gilbert and Karahalios, 2009). For example, in 2011, 54% of American adult Internet users were Facebook users and those users on average maintained 48% of their real world contacts on Facebook (Hampton *et al.*, 2011). However, while these figures are obviously impressive, it is worth noting that this means that mobile phone networks are still far more widely and intensively used. Mobile phone penetration is well above 100% in all developing countries and the proportion of mobile phone users using their mobile phone many times a day is far greater than the proportion of very active Facebook users.

In recent years, Facebook has been extensively used by companies who have set up their own Facebook sites and in particular use Facebook as a brand advertising channel. Besides this – from an analytics perspective – more traditional form of advertising, there are also a number of ways in which Facebook and other social media sites can be used for social advertising. In Facebook's case in particular the newsfeed and the 'sponsored' sections are compelling candidates for advertising taking a user's social network into account.<sup>3</sup>

From an analytics perspective, social advertising can help advertisers in two ways: (i) A connection between two people means that these two people are likely to be more similar to each other than two randomly chosen people, thus encoding unobserved characteristics and helping advertisers to better target their advertisements. (ii) Social cues can be used to inform peers of each other's brand and product preferences, thereby providing information and exerting peer pressure. In this sense

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<sup>1</sup> <http://www.internetworldstats.com/facebook.htm>.

<sup>2</sup> There are some countries like China where access to Facebook and other social networking sites is barred and consequently penetration there tends to be low.

<sup>3</sup> Facebook's newsfeed provides a feed of activities from a user's friends, what they do and what they like. The 'sponsored' section contains direct advertisement for other Facebook sites (e.g. a particular Facebook game) or any other web site.

a platform like Facebook mimics conspicuous consumption in the real world, where fashion items or car ownership can be observed by friends. Unlike fashion items, social advertising has the disadvantage that it is confined to a consumer's connections, but has the strong advantage of making many more consumption decisions, and indeed many non-consumption endorsements conspicuous. A key prerequisite though is that an entity is interesting enough to be actively endorsed by consumers, something that is unlikely for products like, for example, direct debit services.

If a peer-to-peer marketing strategy is appropriate then the challenge is how to design viral features into products and marketing campaigns. Two basic options that are often available in digital marketing are passive and active broadcasting (Aral and Walker, 2011).

- **Passive broadcast:** These features can take the form of notifications on social networks such as Facebook that peers are using a certain application (one-off notification) or can be added to each single message. The latter has, for example, been popularised by Hotmail or by mobile phones such as Blackberry or iPhone which add to each email that it has been sent via this programme/device. Automated broadcast notifications are typically passively triggered by normal user activity. When a user engages the product in a certain way (e.g. sends a message, updates his or her status), those actions are broadcast as notifications to the user's list of contacts.

Bakshy *et al.* (2012) use a passive broadcasting approach in their analysis of the effectiveness of social advertising where peers can see information about entities that their peers are connected to. In this example, peers see if one of their friends connects to a particular Facebook site by 'liking' it without that friend needing to explicitly tell anybody about this action. Besides requiring no further action to create virality, this form of broadcasting has the additional advantage that it is also more enduring because once an individual has created a connection with an entity, social influence can occur continually without additional actions.

Notifications especially build awareness of new activities or products a user is adopting or engaging with and can encourage the user's friends to eventually adopt the product themselves. For example, social networking websites typically notify friends automatically when a user adopts a new application or achieves some application milestone.

- **Active recommendation:** Many applications nowadays have features to invite friends or share content with friends. All social networks grow by inviting new peers and most have made this considerably easier in recent years by suggesting friends to be invited or by interfaces with email programmes holding contact details of peers.

Besides such uses of social advertising on one particular site, there are also moves under way to use social network information across a wide range of web properties. Google+, for example, helps Google to gather information on their users' social networks. While user engagement with Google+ is trailing far behind that of Facebook,

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it still gives Google the information it needs to use social targeting of ads throughout their other web offerings, such as Google search, YouTube and so on. The big advantage of this approach – as long as users maintain social networks that are reasonably reflective of their real social ties – is that Google’s core web search has customers who are actively searching for products/services and are at the purchase intent stage, whereas Facebook users typically will have come to the site not to buy a product but to engage with their peers in a social way.

**Case-related questions & problems**

1. A large drinks company is thinking about launching a new sports drink for athletes. To make consumers familiar with the drink it is planning to run a sports challenge for skiers, where skiers have to download an app to track their skiing (distance/height difference covered, speed etc.). At the end of each week, the skier with the most distance covered will win an iPad. Discuss how such a marketing campaign could be supported by active and passive broadcasting mechanisms on Facebook.