



Social Networks

Making Facebook Pay

Evan Hessel, 07.06.09, 5:15 PM ET

LOS ANGELES -

Social networks like Facebook and MySpace can be scary places for big marketers.

Who knows what kind of vulgar or offensive material resides on their heavily trafficked pages? Fearful of plastering their brand images next to uncontrollable personal content, advertisers have been slow to move big chunks of their marketing budgets to the sites, despite the lure of massive audiences.

Facebook's user base has more than quadrupled since the beginning of 2008 to more than 200 million users, but the company will generate an estimated \$500 million in ad sales this year. By comparison, The New York Times Co.'s digital arm, which includes NYTimes.com, Boston.com and About.com, had just 50.8 million unique monthly visitors but raked in \$352 million in revenues last year.

For at least a few firms selling ads on social networks, that dynamic seems to be reversing. **RockYou**, a big maker of widgets--games and other applications that run inside Facebook profiles--is having success using novel ad delivery systems to assuage big brands' fears of social content. Among their most popular widgets: Superwall, a tool for sharing pictures and notes; Pieces of Flair, an application that helps Facebook users decorate their profiles with digital tchotchkes, and Speedracing, in which players customize cars and race friends within social networks.

The 3-year-old Redwood City, Calif., outfit recently sold campaigns to Volkswagen, General Motors and the Gap incorporating eye-catching videos, simple games and quirky quizzes distributed via an ad network linked to its hundreds of widgets.

Compared to last year, RockYou Chief Revenue Officer Rogelio Choi says he is seeing a 25% jump in the number of campaigns his team sells each month to as many as 100 per month. Ad deals range in size from around \$50,000 to more than \$500,000.

To be sure, RockYou isn't the only outfit convincing advertisers to spend on sites like Facebook and MySpace. Facebook itself has won over brand advertisers like Microsoft and Experian with its "engagement ads," which include small boxes on users' homepages and interactive elements like videos and corporate fan pages. Slide, another maker of widgets for social networks with 155 million unique monthly users, has sold campaigns to firms like Fox Home Entertainment and VitaminWater.

Yet for the past few years, the most prevalent method for advertising on Facebook has been the social network's self-serve display advertising system, which allows marketers to post small ad boxes on the pages of Facebook users.

While the system is easy to use, the ad boxes are tiny compared to other Web ads, and marketers have limited control over the type of content next to their ad. Some big brands have used the display system; but small, local advertisers and "performance" marketers--companies that use ads to prompt users to engage in actions like visiting a weight loss Web site or filling out a online education application--dominate.

Hoping to prompt a small percentage of Web users to click away from social network sites, such performance marketers gobble up huge volumes of ads on Facebook and MySpace, usually paying comparatively tiny prices.

RockYou is convincing giant marketers to shift some of their spending to Facebook by assuring them the ads won't appear next to embarrassing content, says Lisa Marino, RockYou's vice president of sales. Ads only run within RockYou's applications, which range from car racing games to digital pets to birthday cards. "I can guarantee you won't be next to naked people," she says.

For each of RockYou's applications, the firm employs two programmers who tweak the games to figure out how often to reward players with digital prizes to keep them happy--and coming back for more. They also study how minor changes in the game impact how often Facebook users send them to other friends. The approach has worked so far: RockYou's applications currently reach some 130 million unique users each month.

Central to RockYou's pitch to advertisers is their expertise in prompting Facebook users to interact with both their own games and marketers' ads and applications. RockYou sells its ads in traditional display advertising arrangements--marketers pay a fixed rate for a certain number of Web users to be shown their ad. Yet it also guarantees advertisers that 1% to 2% of users will click on special features within the ad, such as a video or quiz. Even better--Marino says those watching a video forward it via Facebook to an average of three friends. The result: While social network ads averaged \$0.20 per thousand impressions in the fourth quarter of last year, according to advertising analytics firm Pubmatic, RockYou says it charges advertisers between \$2 and \$5 per thousand views.

Traditional media companies like the digital arms of newspapers have already started to tweak the advertising models to create more engrossing experiences for users. (See "[Gray Lady Juicing Up Digital Ads](#).") But if Web publishers hope to outsell offline competitors like television and magazines, they need to follow RockYou's lead in embracing the interactivity and social nature of the Web. Make the ads fun and easy to share with friends, and ad dollars should follow.