

# Facebook: The Future of Marketing

*“Knowing your friends really love drinking Coke is the best endorsement for Coke you can possibly get.”*

*- Mark Zuckerberg, Facebook Co-founder & CEO*

Facebook has become the Internet’s dominant social network with about **550 million members** worldwide and of those about **165 million members** are located in the U.S.

## Facebook for Advertising

Facebook has the potential to become a powerful marketing and advertising tool that is more *personal* and *social* than anything used before. The basis of Facebook is that everything has a higher value when you know what your friends are doing. This **viral marketing** is what has led Facebook to its success.

- Facebook began accepting ads in 2004 to cover server costs.
- More companies are relying on Facebook as part of their marketing and advertising plans.
- Consumers are more likely to believe a product is credible if its users endorse it.
- **Expected advertising revenue for 2010 is \$1.4 billion.**
- **Facebook accounts for 90% of the \$600 billion ad market.**

## Facebook Users

- Facebook users average about **6 hours a month** on the site while other portals (Yahoo and AOL) average about **2 hours a month** on each site.
- **Half** of Facebook’s members check the site every day.

## The Unsolicited Side of Facebook

Facebook members create accounts to keep in touch with family and friends. However, advertisers are using the information Facebook members post and share on their pages for unrelated commercial purposes. Advertisers are more precisely targeting market groups by sending specific Facebook members advertisements with the products they are selling using Facebook’s automated ad system. When members update their profile with specific keywords, advertisers are able to contact these members and post the ad directly on the right side of the user’s profile.

- The average click-through rate of advertisements is **less than a tenth of a percent** of the site’s users. These terrible click-through rates limit the overall effectiveness of Facebook’s targeted ads. In order to improve click-through rates,

recall and brand recognition measures can be used as well as the social activity, or “buzz,” around ads.

### Facebook’s “Engagement Ads”

Facebook calls its ads “engagement ads” since they ask members to take action (play a game, vote, indicate they “like” something). The “Like” feature on Facebook has been added to just about every aspect of the site. This button indicates to users and their friends that they “like” something and generally recommend the item being advertised. When users see that their friends have “liked” something, the ad is more likely to gain notice - this social endorsement has been shown to make the ads catchier.

- According to Nielsen, if a user sees that a friend “likes” an ad or has commented on the ad, they are up to **30%** more likely to recall the advertisement and its message.

### **Facebook Jargon:**

#### Earned Media on Facebook

When enough friends “like” or comment on an advertisement, the ad migrates from the right side of the user’s profile to directly on their news feed including all the names of the friends who like the ad as well as the comments posted about the ad. This feature is **free** to advertisers and allows advertisers to post future messages directly on users news feeds. The main focus for advertisers is not to get consumers to buy their products or click-through to their sites, but for the advertised brand to become embedded in the consumers’ minds to influence future purchases.

#### Predictive Targeting of Facebook

Facebook would rather provide advertisers with more data about target groups than allow them creative freedom for ads. By adding “like” buttons to thousands of websites, Facebook is able to develop a more comprehensive profile of its members. The streaming “like” data that Facebook collects can allow advertisers a more predictive snapshot of their target consumers.

#### Learned Targeting of Facebook

Developed in 2009, this form of targeting allows companies to present advertisements to the friends of the users listed as fans on their Facebook page. Also, information about common attributes provided by Facebook about its users also allows companies to use this type of learned targeting.

### **Companies on Facebook:**

Companies on Facebook not only use their page for advertisement purposes but also for several other reasons:

- Unveiling of new products
- Coupons and free offers
- Service mission of company and/or product

- Release statements and photos

### [Nike on Facebook](#)

“Facebook is the equivalent for us to what TV was for marketers back in the 1960s. It’s an integral part of what we do now,” Davide Grasso, Chief Marketing Officer for Nike.

- Nike posted an ad on Facebook, which generated more than **9 million** plays and comments and doubled Nike’s Facebook fan base from 1.6 million members to **3.1 million members** in a single weekend!
- Posting an ad on Facebook cost Nike several million dollars; sharing this ad with friends did not cost Nike anything.

Facebook has developed into such a worldwide phenomenon that a movie was created about how Facebook came to be – *The Social Network* premieres October 1, 2010.

**Get Facebook - Get Socialized!**

Source: Bloomberg Businessweek, September 27-October 3, 2010