

An Abandoned Lighthouse?

At the [ad:tech](#) conference this year in New York City, the most widely anticipated news came from a company less than three years old. This is hardly a surprise to those who follow the tech industry; [Facebook](#), currently valued at over 15 billion dollars, is the hottest thing since Google or MySpace. It has been on the radar along with Apple's iPhone as [one of the biggest stories](#) of the year. Accordingly, the first announcement of how the social network is going to monetize its service, a problem plaguing every Web 2.0 startup, set the blogosphere aflame. Facebook's name for its new ad marketing platform: Beacon.

The origins

Targeted advertising isn't anything new. It's only natural a business would want to pitch its product to the audience most likely to buy it. Time spent on a consumer who isn't going to be a buyer is simply a wasted effort. Selling the merits of a men's cologne to pre-teen girls isn't effective just like pitching hearing aids to twenty-somethings with perfect hearing is a waste. It pays to focus advertising as directly as possible; in financial terms, it minimizes the dollars spent selling to each consumer while maximizing the company's overall profits.

In 1932, Young and Rubicam became the first firm to advertise based on statistics.¹ Twenty years later, the A.C. Nielsen Market Research Company, realizing the extraordinary potential of television to reach a mass audience, began tracking which prime-time shows were being watched in what *types* of households. As technology progressed, so did the sophistication of

¹ Campbell et al. 399

the ability to track viewers and their habits; by the 1970's, tracking services could report many more details about audiences including race, gender, age, and educational background.² Personalized advertising started crawling on its hands and feet.

Jump forward another twenty years to the commercial advent of the Internet. Its digital nature allows for *inherently* easier tracking. While transferring data back and forth, the web requires unique electronic addresses to ensure the bits requested make it to the correct recipient. This characteristic also means a digital “paper trail” is left in every transaction. Capitalizing on this technology, web metrics have advanced to a point where a nearly infinite amount of consumer information can be aggregated and analyzed. The current difficulty, if it can be summarized, lies in determining *which* information is most important and how it should be interpreted.

Problems to some are opportunities to others. One burgeoning market is online advertising, with has had [over 150% growth in revenues](#) since 2000. Success in this arena is defined by the businesses who achieve the highest [conversion rates](#); it's what has made Google the [5th largest company in the United States](#) in less than a decade.

There are now a few common ways of using consumer metrics to target advertisements online. One method, borrowed from the print media, is selling advertising space based on the perceived reader demographics of a website. [Grist](#), an environmental news nonprofit, and [The Economist](#), a business and political analysis publication, both do this for placements on their websites. Making the deals in-house, albeit a significant amount of work, does have some added benefits. The most significant include being able to target to a specific demographic and using richer media (e.g. images and video) in advertisements. Google's [AdSense](#), on the other hand, is

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an example of a newer, content-based approach to delivering advertisements. Known abstractly as "[contextual advertising](#)," it optimizes ad placement by analyzing the content of the website and listing the only most relevant promotions. Doing this by looking at topics, keywords, and phrases pretty well guarantees that the text-based advertisement will be on line with the focus of the site. Yet, at the same time, those ads lose efficacy when readers learn how to ignore them.

So begins the cat and mouse game.

Facebook, by capitalizing on the [social graph](#) between its users, is making advertising “social.” Originally exclusive to college students, this social network hasn’t been without its controversial business decisions. One such event, the launch of a tool called the “[News Feed](#)” which is designed to aggregate friends’ activities on the site, caused users to go [up in virtual arms](#) about privacy concerns. A mass exodus was only averted after the founder, Mark Zuckerberg, published an [open letter](#) promising to alleviate those worries. He might have to do this again.

Unlike Google’s AdSense, which advertises based off contextual data, Facebook now has two advertising platforms which exploits the social data its users provide: [Social Ads](#) and [Beacon](#). Social Ads places advertisements for sponsored businesses and products in the sidebar and previously controversial News Feed. These placements are targeted based on information from a user’s profile; for instance, having “photography” listed as interest in the personal section will incur a higher than normal number of ads for photo contests or camera equipment. The other system, Beacon, works by through a hybridization of “viral marketing.” When a user buys a product on an affiliated site, the information gets sent back to Facebook and is placed in the News Feed of another user. The idea, or at least in theory, is that the advertisers gain traction

through a “forced word-of-mouth.” Facebook hopes to make this possible with their platform, although users haven’t been so happy about it.

Personalization is in the future of advertising. AdSense, Beacon and others are only the forerunners in a continual evolution of marketing *directly* to a consumer. Take, for instance, a product such as Google Maps. In the past year, Google has introduced sponsored, location-based results when a user types in a query like, “[pizza portland oregon](#).” With the launch of Google’s Android Mobile OS in the next year, Google Maps will be available on a number more handheld devices. Add a GPS-enabled wireless device into the mix and the user will no longer have to type in the “portland oregon.” Google will know, thanks to technology. Thanks to technology, advertising too will become more targeted in every way; based on location through GPS, based on past purchases with online retailers, and based the personal interests listed on social profiles.

Or at least that’s the current trend of thinking.

Some implications

Privacy. A world where information about an individual’s actions flow freely to businesses leave little maneuvering room for a personal life. Transparency should be a two-way street. Consumers need to critically assess how much privacy they are willing to give up, and to whom they want to give it to. In the case of Beacon, the platform has become so disputed that it has attracted the attention of [MoveOn.org](#), a civic action organization normally focused on politics. As part of a multi-pronged approach, the nonprofit created a Facebook Group titled, “[Petition: Facebook, stop invading my privacy!](#)” and draws upon members to be activists. Their in-

tent is to call upon the company for a public response to an issue which has created headlines such as, “[Does Facebook Hate Christmas?](#),” “[Is Facebook a Privacy Nightmare?](#)” and “[Are Facebook’s Social Ads Illegal?](#)” With enough voices, and media publicity, the tactic is sure to be successful; Facebook, unless interested in committing financial suicide, has no interest in causing the entire *core* of its business model to migrate to another social network. What the long-term loss, or gain, to user privacy is, however, has yet to be decided.

Integrity. The effect advertising has on content is also a very important question. In a world where it is becoming the *easier* choice to monetize a business with paid advertising, one must ask what sort of effect such as decision has on independence. Take journalism, for instance. Although this model is not yet entirely true of major papers, many blogs write journalistically, are supported by advertisers, and have become primary sources for niche news. Without an established and *transparent* code of ethics, it is impossible to guess at the editorial integrity of a website. Some naive audiences assume their authority, but *every* reader must be a critical reader and look at the policies behind their business practices. Grist and The Economist, for instance, have advertising policy links on top of clearly defined ads. Some sites running Google AdSense, conversely, embed their advertisements in the content of the page or in faux navigation bars. An uneducated visitor, subsequently, does not know the different between what is real and what is advertisement. For the integrity of journalism, and of all media, there needs to be a clear line between independent content and advertising.

In an economy increasingly dependent on universal participation, it doesn’t pay to exploit user data. Using those same crowds to deduce such a decision, however, is a smart choice to make.

Works cited

Campbell, Richard, Christopher R. Martin, and Bettina Fabos. *Media and Culture: An Introduction to Mass Communication*. Bedford/ St. Martins: New York, 2008.