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The Online Ad That Knows Where Your Friends Shop

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If a marketer asked people to hand over a list of all their friends so it could show them ads, few would comply. On social-networking sites like Facebook and MySpace, though, friendships are obvious, and advertisers are beginning to examine those connections.

Two companies in particular, 33Across (www.33across.com) and **Media6Degrees** (www.media6degrees.com), are analyzing such connections, and they are not interested in basic friend lists, but in interactions on the sites, taking note when a user visits a friend's page, sends a video or exchanges an instant message. In turn, they can identify people who are friends with a company's existing customers, and then advertise to them.

"The implications for this are pretty amazing," said K-Yun Steele, vice president of Zenith Interactive, part of the Zenith Media unit of the Publicis Groupe, which works with clients including JPMorgan Chase, Puma and General Mills. He has tested both 33Across and **Media6Degrees**.

Instead of using research to identify which Web sites are popular with certain demographic targets, these companies lets "the consumer do the heavy lifting for you purely because of the proximity of that customer to other customers," Mr. Steele said. "There's a certain traction that you get when you target consumers that you know talk to each other, that you don't get when you advertise like you would in print."

The approach is based on research, mostly from earlier this decade, about social groups; one influential paper showed that people in contact with clients of a telecommunications firm were more likely to respond to the company's offer.

Advertisers, eager for any information that allows them to waste fewer ads and spend less money, are trying **Media6Degrees** and 33Across to see whether friendships are a better indicator of who might like their products than other indicators like age, gender, geography or interests.

"Instead of understanding all these things about people, you could understand who was connected to who," said Eric Wheeler, the chief executive of 33Across. "The reality is, those people are very similar not only in socioeconomic terms, but in terms of what they click and buy, so it's very valuable."

It may be valuable for advertisers, but for publishers, it is not great news — tactics like this mean that advertisers can assemble promising audiences while bypassing expensive sites like, say, CNN.com or

ESPN.com. And privacy advocates are complaining about online tracking, a subject Congress is examining.

This is a new arena — 33Across and Media6Degrees are two of the more established companies, and each was started within the last two years. They are seeing more and more data, too: traffic to social-networking sites increased 83 percent from April 2008 to April 2009, according to the Nielsen Company.

Both companies try to link a Web site visitor to his friends (anonymously, they say). **Media6Degrees** and 33Across begin at an advertiser's Web site. When someone visits a certain page — something that indicates interest, like a shopping-cart page or a product information page — the companies place a cookie (a tiny bit of text, like an identification number) on her computer. When she visits another site that has been programmed to look for that cookie, the new site can identify her as someone who has already put something in her shopping cart at a certain beauty site.

Meanwhile, **Media6Degrees** and 33Across use data from social-networking sites to map users' interactions. To see the connections, 33Across receives data on the type of interaction, like an instant message or a shared video link.

Media6Degrees focuses on which Web addresses within social sites people are visiting, which can also indicate the type of interaction, as Web addresses for, say, video tend to look different from a traditional Web page. Both sites score the interactions on a scale from strong to weak based on a variety of factors. "Those will allow us to score out, to get rid of the voyeurs, and find the people who are closest connected to that buyer for that advertiser," said Joe Doran, the chief executive of **Media6Degrees**.

The companies then extend those connections to build a big audience. If a certain customer most frequently communicates with 30 people, the companies look at who those 30 people interact with the most, and so on. By doing this for all the customers for a certain brand, they can build up a large network for ads.

The final step for these companies is actually showing ads, which **Media6Degrees** and 33Across accomplish by using ad exchanges like Yahoo's RightMedia or Google's DoubleClick Advertising Exchange. **Media6Degrees** and 33Across can tell the exchanges that they want to buy ads that will appear only on browsers harboring certain cookies.

Mr. Steele said advertising this way was much cheaper than advertising by buying directly on high-end sites; he used CondéNet, which now goes by Condé Nast Digital, as an example.

"Say you do a banner ad buy on CondéNet — that's going to cost you \$10 to \$20" for every thousand impressions, he said. (A CondéNet spokeswoman said that range was low over all, but reasonable for banner ads in high-volume areas.)

“With this technology, since we’re buying on network inventory, we’re going to be getting these audiences on Yahoo and things like that, using the consumer connections these friends have to buy that inventory much cheaper.” Even including the fees from 33Across and **Media6Degrees**, buying through them was five to 10 times less expensive than buying through premium sites, Mr. Steele said.

Despite the promise of the companies, they have a few challenges. One is the threat of Congressional regulation. Congress has recently been holding hearings on online advertising, quizzing executives from sites like Facebook and Yahoo about the privacy and data practices at their firms. (People can opt out of the advertising at the companies’ sites.)

And although the companies promise to reduce waste in advertising, they do not promise to eliminate it. People communicate with their friends online, but they may also be communicating with their parents or random acquaintances — people from different age or socioeconomic groups.

Margaret Clerkin, the head of the invention group at Mindshare, a division of WPP’s GroupM, who works with clients including Unilever and Sprint, said she wondered whether the approach would work for every category.

“The theory feels strong that in this very social environment that people are influenced more by their friends than they are by advertisers and brands,” she said. She plans to test **Media6Degrees** and 33Across later this year.

“I think the validity of that is going to end up being tested by brand and by category,” she said. “I can’t believe you’re going to see the same ratio in buying a bar of soap that you are in buying a car. The influence rate is going to be so much greater as the price tag of the product goes up.”