

Background

Facebook has launched its first major ad format in some time with the release of Sponsored Stories. Furthermore, Yahoo has also launched a new “social ad” unit. Both are examples of how media owners are striving to combine the social graph with paid media to tap into the power of friend recommendations and advocacy with advertising.

Details

Sponsored Stories allows consumers to take branded content (ads, applications, events, locations, etc) and share it with their friends. Sponsored Stories are activated when a user engages with branded content on Facebook via taking an action such as likes, check-ins, and posts to brand pages. Once activated, the branded content turns into an ad unit that is officially “sponsored” by your Facebook friend, thus avoiding potential complaints that the ad unit is intrusive. However, sponsored ads will only appear if the advertiser pays for placement.

As with most Facebook developments, Sponsored Stories is initially only available in the US, with a limited number of advertisers on board for launch. The new ad unit is expected to be rolled out to major global markets over the course of 2011.

In the meantime Yahoo is also rolling out a similar ad format called “Social Ads”, which simply enables you to “like” an ad running on its site or network and then have it shared with your friends via your Facebook newsfeeds.

Implications

Sponsored Stories is being launched off of the back of Facebook’s research partnership with Nielsen, which showed the benefit of advocacy-based advertising, and could well turn out to be a truly revolutionary product for the platform. Both Stories and Social Ads are designed to replicate the much higher interaction rates that are seen on organic impressions (when users see notifications in their stream) compared to standard advertising formats. According to Syncapse research, 38% of respondents reported that they would likely become a fan of a brand if they saw a family member or close friend do so.

However, the last time Facebook tried to launch a revolutionary ad-product (Beacon) it all went terribly wrong, with claims of privacy abuses from consumer groups. Facebook will need to carefully manage the way that Sponsored Stories appear and more importantly how permission is granted from the consumer to avoid a similar crisis. If Facebook and Yahoo can avoid a Beacon-style controversy, there is a significant opportunity for innovative brands to turn consumer interactions into a new, incredibly effective type of communication with paid and earned media seamlessly integrated at scale. In addition to being very impactful, these units also deliver incremental reach to a relevant customer-base at minimal cost.

Summary

Sponsored Stories is one of Facebook’s most innovative and exciting developments in some time. Together with initiatives like Yahoo “Social Ads” it could open up a whole new way of advertising to consumers. However, as privacy fears continue to grow, and regulators on both sides of the Atlantic start to examine the ways in which consumers’ data is used, taking consumer generated content, and turning it into communications, *without explicit consumer consent*, could risk pushing Facebook, and its advertisers, into brands that are seen by consumers as crossing that fine line into intrusion.