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NET SENSE

Cracking the social network code

Commentary: Communities will likely drive ad growth

By [Bambi Francisco](#), MarketWatch
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SAN FRANCISCO (MarketWatch) -- Combining search and social networks seems inevitably powerful.

We just haven't seen it work all that well because the companies that know about our search history -- Google ([GOOG](#)), Yahoo ([YHOO](#)) -- aren't really sharing information with the companies, such as MySpace, Facebook and YouTube, that increasingly know us personally and increasingly occupy our time.

But that won't always be the case.

By 2008, we might just be saying that one of the fastest growing online ad opportunities is what I'll call "search-filtered display ads." In other words, marketers will increasingly take someone's search history or search behavior, and use that information to target ads on social network pages they browse.

It's not intrusive; in fact, people will come to expect it. And, quite frankly, some may even feel a little bit alive because they're acknowledged, even if only by a lowly marketer.

To be sure, this linking of search history and browsing activity can be done today. It's just not done a lot, if at all, according to marketers. One of the biggest reasons is because it's only in the last couple of years that search queries have proven to be a great indicator of intent, said Ellen Siminoff, founder of Efficient Frontier, a search engine marketing company that manages \$250 million in ad dollars. And, it's only in the last year that social networks, like MySpace, have flooded the Net with inventory to experiment, she said. [Watch my interview with Siminoff.](#)

Yahoo has had a product called Impulse out for a couple years that allows for the linking of search behavior and browsing activity, but it's never been promoted heavily by the Internet giant's sales team, said Kevin Lee, executive chairman of Did-it.com, a search marketing company that manages more than \$200 million in ad campaigns. "Based on advertiser demand we can probably expect it to be promoted more heavily," he said.

If you think social networks can't be the place to advertise -- or garner a significant chunk of ad dollars -- based on our search history, recall the mindset we had about search just over five years ago.

Long, long ago

Back in 2000, I recall sitting down with Internet executives at one of those ancient Internet Summit conferences, run by John Battelle, famed author of "The Search."

The discussion: "How will Google make money?"

Back then, sponsored search was hardly a money maker, online video was running at a painful 15 frames per second on the Web, the word "iPod" would have raised an eyebrow, email marketing seemed really promising, my space was typically used to describe an area around someone's physical presence, Lance Armstrong had only won the Tour de France twice, and the big debate was whether subscription or branded ad-supported models worked best on the Web.

One possibility raised years ago was that Google could charge \$5 a month for usage. Many said that if Google were to charge, its popularity would be usurped by a free alternative. As most observers know, Google eventually copied Overture's (now part of Yahoo) brilliant paid-per-search business model. Some say Google even serendipitously tweaked its model by factoring in the number of clicks as well as price per click to determine the ranking of the ads. Today, sponsored search based on the price an advertiser pays and the popularity of an ad -- in other words, the Google way -- is the No. 1 way to make money on the Web.

Google reported last week that it generated \$2.46 billion in sales in the second quarter. Of that amount, just over \$1 billion dropped to its cash-flow line, estimates Goldman Sachs. No one fathomed this possibility five years ago. Good thing Google didn't charge. Its quarterly revenue is more than what people paid for all Web content last year. Its cash flow alone in the latest quarter is twice the \$503 million that all the Web dating sites generated in sales in 2005. And, online dating from popular sites, such as InterActiveCorp's ([IACI](#)) Match.com or Yahoo Personals, were the No. 1 service people paid for between 2002 and 2004, according to the [OPA](#).

What about social networks?

Today, the question at conferences is similar to the one we asked back in 2000 about search and Google.

"How will MySpace, Facebook, or YouTube make money?" Or, put another way: "Do social networks or user-generated sites have legs like search engines?" That's the question that will be posed this week at Tony Perkins Always-On conference.

It is an important question to ask, for anyone who seeks to chronicle the growth of the Web. We are, after all, in the second decade of the commercialization of the Internet, and these low-revenue generating communities are the fastest growing sites on the Web. Once they catch on, it's as though they've caught lightning in a bottle.

YouTube, which started in February of last year, already gamers nearly 20 million unique visitors per month, and delivered 100 million videos in a day. NewsCorp's ([NWS](#)) MySpace's monthly visitors, at 45.7 million, has more than Google's blogger service and YouTube combined, according to Nielsen/NetRatings.

MySpace's 23 billion pageviews -- making it the No. 1 social network with regards to pageviews -- tops the aggregate of the No. 2 through 25 social network sites in total. And, Facebook, which started in 2004, is second to MySpace in delivering pageviews across the social network sector. Moreover, Facebook users spend about an hour on its service on average per month.

Top social network sites as measured by time spent.

Site	Pageviews	Time spent	Unique visitors	Time spent change
MySpace	23 bln	1 hr 53 min	45.7 mln	Up 11%

Tagged.com	293 mln	1 hr 48 min	1.2 mln	Dn 10%
Ezboard	239 mln	1 hr 9 min	2 mln	Up 301%
Facebook	1.8 bln	54 minutes	7.9 mln	N/A

Source: Nielsen//NetRatings

Yes, we search. It's a primal act. Search may also continue to attract the lion's share of the advertising dollars on the Web because the search pages are where marketers know where to find us (at least for now). But we are also innately social beings, or at least most of us are.

Clearly, the above figures show that while we may search a lot, it's the social networks that we visit a gazillion times and spend time on.

Marketers like to target where people are. It's the reason billboards or ads on buses are more ubiquitous in cities than in rural towns.

Search intent with social networks

This is just one way to combine search and social networks. Another way to monetize social networks is to weave in the Amazon.com ([AMZN](#)) and Netflix ([NFLX](#)) recommendation engines into the social networks. So, if I had a profile about my favorite books and movies, the social network sites should target me with ads about what other like-minded people have bought or rented. Finally, as for YouTube, why doesn't this company just put 10 second post-rolls or pre-rolls on those videos?

Sound-off: How will social networks make money? Ping me at Bambi.francisco@dowjones.com or post on my blog at bambi.blogs.com.

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