



BW 50 September 25, 2008, 5:00PM EST

Making Social Networks Profitable

Google's new approach could offer advertisers coveted online communities

by [Heather Green](#)

Imagine there was one number that could sum up how influential you are. It would take into account all manner of things, from how many people you know to how frequently you talk with them to how strongly they value your opinion. Your score could be compared with that of pretty much anyone in the world.

Maybe it'll be called your Google number. Google ([GOOG](#)) has a patent pending on technology for ranking the most influential people on social networking sites like MySpace ([NWS](#)) and Facebook. In a creative twist, Google is applying the same approach to social networks it has used to dominate the online search business. If this works, it may finally make ads on social networks relevant—and profitable.

Google declined to discuss its idea with *BusinessWeek*. But it is based on the same principle as PageRank, Google's algorithm for determining which Web sites appear in a list of search results. The new technology could track not just how many friends you have on Facebook but how many friends your friends have. Well-connected chums make you particularly influential. The tracking system also would follow how frequently people post things on each other's sites. It could even rate how successful somebody is in getting friends to read a news story or watch a video clip, according to people familiar with the patent filing. "[Google] search displays Web pages with the highest influence—it makes complete sense for them to extend this to online communities and people," says Jeremiah Owyang, an analyst at Forrester Research ([FORR](#)).

How would this improve advertising on social networks? Say there's a group of basketball fans who spend a lot of time checking out each other's pages. Their profiles probably indicate that they enjoy the sport. In addition, some might sign up for a Kobe Bryant fan group or leave remarks on each others' pages about recent games they played or watched. Using today's standard advertising methods, a company such as Nike ([NKE](#)) would pay Google to place a display ad on a fan's page or show a "sponsored link" when somebody searches for basketball-related news. With influence-tracking, Google could follow this group of fans' shared interests more closely, see which other fan communities they interact with, and—most important—learn which members get the most attention when they update profiles or post pictures.

The added information would let Nike both sharpen and expand its targeting while allowing Google to charge a premium for its ad services. If Nike wanted to advertise a new basketball shoe, for example, it could work with Google to plop an interactive free-throw game only on the profile pages of the community influencers, knowing the game would be likely to draw the most attention in these locations. And because the new technique ranks links among groups, Google could also target the ads to broader communities. "I would pay a premium to get a particular video in front of someone who [shares] with others, and an even bigger premium for a lot of people who would share," says Ian Schafer, CEO of online ad firm Deep Focus, whose clients include Sean Jean and Universal Music Group.

Influence-ranking is no academic exercise for Google. So far the search giant has failed to earn much profit from social networking ventures. In 2006, Google promised to pay News Corp.'s ([NWS](#)) MySpace \$900 million over

three years for the right to put ads on the site. Google executives have expressed disappointment in that project, which is shaving 1.5% off Google's gross margins, according to Jeffrey Lindsay, an analyst at Sanford C. Bernstein. In its patent filing, Google acknowledged that some of its old approaches didn't work. With the new techniques, says Deep Focus' Schafer, "Google could be the Google of social media."

[Green](#) is an associate editor for *BusinessWeek* .

Xerox **Color**. It makes business sense.

Copyright 2000-2008 by The McGraw-Hill Companies Inc. All rights reserved.

The McGraw-Hill Companies