

## Background

Facebook are planning to roll out a programme where they will reward users who watch ads. For launch the system will concentrate on video ads within games being played on the site, and will reward users with Facebook Credits, which can be redeemed for virtual gifts within games as well as on Facebook Deals, to the value of \$0.10.

## Details

The new programme is being rolled out with a limited number of publishers to start with, though these include some of the giants of the social gaming world, such as Zynga, creator of Farmville. The system is being managed by TrialPay's DealSpot product, and will include videos run by Sharethrough, EpicSocial, SocialVibe and SupersonicAds.

It is thought that offering credits may drive up the use of Facebook's own virtual currency to 5% of the total userbase and whilst it is not yet clear whether the system will be rolled out on to other video ads on the site, outside of games, or even on to ads other than videos, if it proves to be a success, it would seem obvious to do so.

## Implications

Recent reports have suggested that Facebook now has over 30% of the US display market, in terms of impressions, something it's had in the UK since the end of 2010. However, despite this huge share of the market, it has 'only' been able to turn this into estimated revenues of \$2 billion: to put this into perspective Google's revenues were \$8.4 billion in the last quarter of 2010,

If Facebook can encourage more people to view and click on the ads on the site, that can only help its revenues and, in the long-term, the story it is able to tell prospective advertisers. If Facebook wants to justify its massive valuations (\$70 billion and rising) then it needs to get better at monetising its massive userbase, no matter how much founder Mark Zuckerberg says he's more interested in product than profit.

Increasing the amount of people using credits could also have a positive impact on revenue: virtual currency is big business, as Zynga's own predicted 2011 revenues of \$1.8 billion show. So if Facebook can get more people using them, whether on or offline, it can only help the balance sheet.

## Summary

Facebook isn't the first site to reward consumers for interacting, and it won't be the last, but it's possibly the biggest to try it to date. With ads initially only being offered in-games, it will only apply to clients with certain target audiences, though this won't necessarily be young men, and with the right sort of content.

What brands will need to consider though, is whether they want consumers to get used to the idea that they should be paid to watch ads, when, in theory at least, they are already being rewarded with the free content that the ad revenues allow.