Social networks showing users more targeted ads

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Social networks have found a promising new source of advertising revenue: targeting users with ads for products they browsed online.

The latest form of advertising, called "retargeting," is expected to not only get more pervasive but intensify worries over privacy.

Tania Mulry, an entrepreneur from Santa Clarita, Calif., said she and other people are noticing and talking about the flood of retargeting ads. One of Mulry's students in a mobile-application design class at the University of Southern California was unnerved that a swimsuit she browsed on Nordstrom.com showed up as an ad on her Facebook page.

"As a consumer, seeing something you were looking at recently on another site is eye-catching, and then the deep sense of creepiness sets in like an ominous fog and you realize that big companies are watching what you do online," Mulry said.

Most people are aware they are being watched and tracked online. They also know that the marketers who are tracking their movements are going to show them ads tailored to their interests.

But many say it's creepy when an ad for the product they eyed on one website begins popping up on Facebook.

Analysts say these ads are only going to proliferate because they are potentially very lucrative for social networks under pressure from

investors to wring more revenue from users.

"Especially in the holiday season, anything that can get your attention and get you to go back to a website and make a purchase you might have forgotten about or aren't sure about is gold for a retailer," said Emarketer analyst Debra Aho Williamson.

Twitter Inc. said last week that it is rolling out retargeting ads for its more than 230 million active users.

On the heels of its highly successful initial public offering last month, Twitter is hoping to impress Wall Street, which has expressed doubts about its ability to grow revenue and turn a profit. Twitter is looking for new ways to persuade advertisers it can show the right ad to the right user at the right time on the Web and on mobile devices.

With its new service called "Tailored Audiences," marketers can reach consumers who have shown an interest in their brands, the San Francisco company said last week. Twitter began testing the service in July.

Twitter shares have shot up more than 15 percent this week, closing Tuesday at $51.99. Twitter has mostly traded in the low-$40 range, though it briefly traded over $50 shortly after its IPO.

"The idea of retargeting works for advertisers. That's why you are seeing companies like Twitter get involved in it," Williamson said.

Retargeting is still a small part of the overall online advertising industry but it's growing quickly because shoppers are clicking on the ads, Williamson said.

Whether Twitter users will enjoy seeing these personalized ads or will be alienated by the more intrusive tracking remains to be seen.

Twitter said it would disable the service for users who check the "Do Not Track" option in their browsers. Twitter users can also choose not to receive "promoted content" - advertising that appears in tweets and in trends on Twitter - by tweaking their privacy settings.

But the in-your-face quality of retargeted advertising may be a wake-up call for many users to how much of a data trail they leave - online and off - that marketers can now follow back to their Facebook and Twitter accounts.

That's precisely why the tactic is so effective - and why social networks are rolling out such ads, analysts say.

People are much more likely to buy something they were already shopping for, said Larry Kim, founder of marketing firm WordStream.

Internet giants such as Google and Yahoo have been tracking users across the Web to show them retargeted ads for years. It's a more recent phenomenon on social networks.

In retargeting, marketers use small text files called cookies. When users look at a particular item on a website, a cookie is placed on their browser. Marketers can then target Facebook and Twitter users who recently visited their websites.

No identifying information about users changes hands, Facebook and Twitter say.

"If you see an ad in your feed from a website you visited, the website doesn't know it's you specifically seeing the ad, just a group of people who visited the website," Williamson said. "But there is always the creepy factor. For some people, that is going to be a problem. For others it is going be a benefit."

Sarah Welch, a mother of two young children in a New York City suburb, said retargeting ads can be helpful.

After browsing for a new jacket for her 4-year-old son, she had to step away from her computer. She forgot about the jacket until later that night, when she logged into Facebook to catch up with friends and family. Up popped an ad for the jacket she had been eyeing on the Land's End website.

"It served as a great reminder for me to go finish what I had started," she said.

Welch said the ads have also proved effective in driving sales for her online business, Buttoned Up, which sells tools to help people get organized.

"For every dollar I spend on retargeting ads, I probably get $4 to $5 back," she said. "The idea is, 'Hey, you were just on our site looking at this item; here's a helpful little reminder to go back and buy it.' "

But Welch isn't always a fan of retargeting, especially when retailers keep flashing ads for something she has already bought or that no longer interests her.

Last spring she bought a mattress from Sears.com. For weeks, the mattress stalked her all over the Internet, she said.

"It was very annoying," she said.

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