

Background

You would be hard pushed to find someone that is not familiar with Skype, the platform that enables you to have conversations with family and friends anywhere in the world through video calling, chat, mobile and even Facebook. It is so universal that even dog owners are using Skype to check on their pets when they go on holiday.

When Microsoft acquired the video calling software in May 2011 (for a cool \$8.5 billion), there was uncertainty over how they could make money from it, especially as Skype had not yet made a profit. However, with a large user base built up over the years, Skype now has a solid platform and audience to target with advertising. The partnership with Microsoft has further boosted its reach and accessibility, with plans to integrate Skype into the Xbox and most likely Windows software.

Details

The basic facts:

- 41.5 million people online on Skype at any one time
- 88 million daily global unique visitors and a reach of 285 million users globally
- 300 billion minutes of voice/video calls made in 2011
- Only 5% of Skype's users currently pay to use the service and so opt-out of advertising.

These are impressive numbers and Microsoft can capitalize by targeting Skype users based on simple geographic and demographic information, such as age and gender.

Skype is also a lean forward environment, in which users are personally engaged with the interface. Whilst each user averages just 12 contacts (10x less than Facebook), each connection is a quality one between those friends and family you trust the most, as opposed to some of the connections on Facebook that have been proved to be fake in recent weeks.

Implications

Skype's advertising opportunities range from homepage takeovers, rich media standard units and mobile ads to click-to-call buttons, allowing users to directly call the brands nearest retailer.

In June, Skype expanded their ad offering to include premium 'conversation ads,' for customers using audio calls. This gives brands the opportunity to target consumers in a highly engaging environment, sparking meaningful conversations about them. For example, Magnum used the ad unit to advertise their 'Pleasure Hunt' game, which consumers could play whilst talking over Skype.

The advertising opportunities do not just stop there – Microsoft recently achieved a world first by hosting a live interview between Katy Perry and her fans on Skype. Skype are clearly taking steps to build up their advertising capabilities for brands, but don't seem to have a clear hold yet on what they want to achieve from it. One area which they still need to crack is mobile – with services such as WhatsApp and Viber, Skype need to work out how they can maintain their platform on both PC and mobile amongst this growing number of competitors.

Summary

Skype are conscious not to alienate their audience with too much, or the wrong types of adverts, so they are still taking baby steps and as yet there are no plans to target based on conversations. The main drawback is that with a £100k minimum spend for brands; it is cost-heavy. This makes the exclusivity Skype can offer an attractive, but expensive platform for brands.