

Facebook stocks up for Google fight

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A Facebook sign is seen at the main entrance of Facebook's new headquarters in Menlo Park on February 1, in California. As Facebook and Google jockey for dominance of the Web, the social network's upcoming stock offering will give it a hefty warchest for the ongoing fight, analysts said.

As Facebook and Google jockey for dominance of the Web, the social networking titan's \$5 billion stock offering will give it a hefty warchest for the ongoing fight, analysts said.

"It gives Facebook the ability to roll out more services," Gartner technology analyst Michael Gartenberg said. "It's going to be harder for companies to compete with Facebook."

Facebook, in its filing for an initial public offering, cited Microsoft and Twitter as competitors but made it clear its chief rival is Google.

"We compete broadly with Google's social networking offerings, including Google+," Facebook said of the social network launched by Google which has attracted 90 million users to Facebook's more than 800 million.

"Some of our current and potential competitors have significantly greater resources and better competitive positions in certain markets than we do," Facebook said.

At first glance, Google would appear to have the upper hand.

Google sites, which include the popular YouTube in addition to the eponymous search engine, attracted 1.09 billion unique visitors in December, according to online tracking firm comScore.

Facebook saw 794.3 million unique visitors in December.

But users spent more time on Facebook -- a key metric for advertisers.

Visitors to Facebook spent an average of 377.3 minutes on the site in December compared to 207.2 minutes on Google sites.

Google, which launched six years before Facebook, is also flush with cash.

Facebook, opening its books for the first time in the filing with the US Securities and Exchange Commission, said it had net income last year of \$668 million and revenue of \$3.7 billion.

Google posted a net profit of \$2.71 billion last quarter alone on revenue of \$10.58 billion.

But Facebook may have more upside.

"What Facebook's management would like us to believe is that Facebook's growth potential is much greater than Google's," said Virginie Lazes of investment bank Bryan, Garnier & Co.

"Google is a cash machine but what more can they do in terms of growth?" Lazes asked. "Google's growth is a maximum of around 15 percent a year."

Facebook's revenue meanwhile went from \$777 million in 2009 to \$1.97 billion in 2010 to last year's \$3.7 billion.

"That's what the market will try to put a value on, this future growth potential," Lazes said.

The battle between Facebook and Google comes down to a contest for eyeballs and online advertising dollars.

Google is the dominant player in online advertising with a 44.9 percent share of US online ad revenue last year to Facebook's 6.4 percent, according to eMarketer.

Most of Google's revenue comes from search advertising while Facebook is the top player in the rapidly growing display advertising space.

Facebook's share of total US display advertising revenue was 16.3 percent last year to Google's 12.3 percent and Yahoo!'s 12.5 percent, eMarketer said.

"What's not to 'like' about the Facebook IPO?" asked Kathleen Smith of IPO investment adviser Renaissance Capital. "The social networking king is an advertiser's dream, accessing the intimate social interactions of one in every 10 people in the world."

Gartenberg said that because Facebook has become such a dominant force in social networking it may be better positioned than Google in the long run.

Social networking is not a "passing fad," he said. "It also seems to be pretty profitable.

"Facebook is the dominant player here and it's become dominant in such a relatively short period of time," he said. "To the point where we talk about companies like Google being the underdog."

Google, however, "is not going to stand idly by and allow Facebook to become the center of gravity of the Web," Gartenberg said.

"The only type of company that could mount a challenge to Facebook is a company of the size and scale and with the resources of a Google," he said. "That makes for what could be a very interesting year going forward."

Lou Kerner, social media analyst at secondshares.com, said the struggle between Facebook and Google is "about how people discover the Web."

"We've been used to periods of one king: it was Yahoo!, then it was Google," Kerner said. "Now we're entering a period of two kings of the net.

"Google is not going away."

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