

Brand-name deals to mix with Facebook friend posts

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Sheryl Sandberg, Chief Operating Officer of Facebook, speaks at a Facebook event for marketing professionals, Wednesday, Feb. 29, 2012 in New York. Behind her is a projected cartoon by Peter Steiner with a caption, "On the Internet, nobody knows you're a dog." New, potentially lucrative advertising opportunities are coming to Facebook as a prelude to its initial public offering of stock. The idea is to lure big brands with the promise of effective, precisely targeted ads that reach the social network's 845 million users. (AP Photo/Mark Lennihan)

(AP) -- Messages from brands such as Walmart and Starbucks may soon be mixed in with your Facebook status updates and baby photos from friends and family.

Facebook unveiled new advertising opportunities Wednesday to help the world's biggest brands spread their messages on the world's largest online social network.

Brands you've endorsed by hitting the "like" button will now be able to push deals and other updates right into the news feeds that show your friends' updates, photos and links. These posts could also show up if one of your friends has interacted with a brand, such as by liking it or commenting on a photo.

The changes come ahead of Facebook's initial public offering of stock, expected this spring. The IPO could value the company at as much as \$100 billion. That means Facebook has to prove it can bring in real advertising revenue from the likes of Wal-Mart, Procter & Gamble and other massive brands.

"Facebook is making serious money from ads right now, but they are not making serious money from major brand advertisers. That's where the ad money is," said Rebecca Lieb, an analyst with the Altimeter Group. "They currently have rather low-rent, shoddy ads on Facebook."

This could now change as Facebook moves to integrate brands' messages into the news feeds of its 845 million users as part of a long-term vision of moving from ads to stories about brands.

Facebook made the announcement at the American Museum of Natural History in New York in a rare East Coast appearance for a Silicon Valley is now seriously courting Madison Avenue.

Rather than bombarding people with flashy ads, Facebook is urging companies to integrate themselves into what people are already doing on the site - talking to their friends and family, commenting on photos or posting news links.

"The definition of the word `advertise' is to draw attention to," said Chris Cox, Facebook's vice president of product. "The definition of a story is narration, which you'd think is what people prefer."

Facebook has a vast trove of information about its users' lives, hobbies, likes and dislikes, yet the company has kept advertising fairly unobtrusive to date. Ads for teeth-whitening, wineries and laundry detergent and the like are relegated to the right side of users' Facebook pages. Over time, Web-savvy users have grown to used to ads and many are tuning them out.

Those ads are not going away, but brands will now be able to push updates - or as Facebook likes to call, "stories" - right into the news feeds. Facebook's challenge will be to keep these ads as unobtrusive as possible so that users are not alienated or driven to "unlike" brands.

1-800-Flowers tested the new format in January through Valentine's Day. President Chris McCann said he saw a marked improvement in customer response to ads under the new format, and he looks forward to expanding its reach.

"A typical page post reaches 16 percent of our fans," he said. "Now we have the opportunity to boost that to 70 to 75 percent."

Facebook will collect feedback and test out how its users respond to the changes. It will also roll out the changes slowly. At first, users may see just one message a day from a brand inside their news feed, or even less. And they won't see messages from random companies they are not connected to in some way - directly or through a friend.

"Facebook has certainly backed down on things," Lieb said. "But they are not just going on what people say. They are going on what they do."

The changes mean people could now see ads when they use Facebook on their mobile devices - a new and lucrative revenue source for the company. They could also see an ad splash on their screen as they log out of the site.

According to research firm eMarketer, Facebook has a 14 percent share of the \$12.4 billion display advertising market in the U.S. last year. This year, it's expected to grow to 16.8 percent, surpassing Google's 16.5 percent. In all, eMarketer estimates that Facebook's advertising revenue will hit \$5.06 billion this year, accounting for 83 percent of its total revenue.

Facebook did not talk about its upcoming initial public offering or financial updates because it is in a federally mandated quiet period.

Other changes from Facebook include Timeline for brands. The company, which is based in Menlo Park, Calif., has been nudging its users to switch over to this new profile format, which emphasizes photos and reveals more prominently posts and updates from a user's entire Facebook history.

Now, brands can create their own Timelines, too. On Wednesday, Walmart's Timeline was already available, beginning with the opening of the first Wal-Mart Discount Center in 1964.

Company executives at Wednesday's event praised the new system.

The new Timeline feature will let Ford highlight more of its 109-year-old history, said Ford social media head Scott Monty.

"We've always used photos and videos and a lot of different aspects of our history" on Facebook pages, he said. "But the way Timeline is laid out people can see at a glance historic things that have happened."

As for the new ads, he dismissed the idea that people might not want ads in their newsfeed or on their mobile app.

"Facebook has done a really good job knowing how users think and what expectations are," he said. "It won't be interruptive, it will seem natural."

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