

Drift to mobile a new challenge for Facebook

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A mobile phone user accesses Facebook from cellular phones in Islamabad. With Internet users increasingly going mobile, a major challenge for Facebook will be trying to make money from its massive global presence in a more complex mobile space.

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Facebook, which makes most of its money from advertising, says more than half -- 488 million -- of its 901 million members access the service from a mobile phone or tablet. Of these, 83 million use only [mobile devices](#) instead of computers.

But while 82 percent of [Facebook](#) revenue comes from ads, the company acknowledges that it gets little income from the mobile space.

"We have historically not shown ads to users accessing Facebook through [mobile apps](#) or our mobile website," the California firm said in a filing for its [initial public offering](#).

"In March 2012, we began to include sponsored stories in users' [mobile news](#) feeds. However, we do not currently directly generate any meaningful revenue from the use of Facebook mobile products, and our ability to do so successfully is unproven."

Facebook says a big issue looking ahead is being able to get mobile revenue and that its revenue "may be negatively affected unless and until we are successful with monetization strategies for mobile usage of Facebook."

Most analysts note that advertising has not yet become adapted to mobile devices in the same way it has on computers.

"Last time I checked, mobile phones had really small screens," said Michael Pachter of Wedbush Securities.



A mobile phone shows a Facebook page in Spanish, in Quito, Ecuador. With Internet users increasingly going mobile, a major challenge for Facebook will be trying to make money from its massive global presence in a more complex mobile space.

Van Baker, an analyst with the [Gartner](#) consultancy, said so-called monetization will be critical for Facebook, which has "some catching up to do" with firms like Google and Apple.

Baker said Facebook needs to find mobile ads that are "not intrusive" and pointed to Google and Apple as using a type of mobile banner ad that "takes up a very small amount of screen real estate."

[Google](#) is seen as having a strong [mobile platform](#), and recently decided to integrate its mobile, search and other services in an effort to offer more targeted ads, a move that drew criticism from privacy advocates.

London-based Hargreaves Lansdown Stockbrokers said in a client note that converting Facebook's mobile traffic into income "is perhaps one of the company's largest -- and currently perplexing -- challenges."

"Facebook was not conceived in the smartphone era and therefore did not have it in mind as a platform. It has catching up to do and, if possible, without cannibalizing its own current income from the PC space," the brokerage said.

The company could address the issue by purchasing apps that may offer other revenue sources such as the photo app Instagram, Tagtile -- for tracking customer loyalty -- and Glancee, an app for locating nearby friends.

Forrester Research analyst Melissa Parrish said, however, that the solution for Facebook in the mobile space "is probably something that we all haven't been thinking of yet."

"What's really compelling is the possibility that they will either figure out a way to monetize mobile that is not sponsored or advertising-based."

Parrish said Facebook could choose to offer marketers "a richer insight about the customers," or improve the "connection" between users and marketers.

"It isn't just about sticking ads in the news feed. If anybody is going to innovate around a product like that, I think that Facebook is a contender."

But Baker said that for Facebook, there is no sense of urgency in finding a mobile strategy.

"The company has a reasonable [revenue](#) stream, they've got an enormous base to monetize this, and then they're going to reap a huge amount of money with the IPO," he said.

"I think they're going to be very cautious about it. They can take as much time as they want."

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