

# GM to pull ads from Facebook: report

May 15 2012

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The General Motors headquarters in Detroit, Michigan. General Motors plans to stop advertising on Facebook because it determined paid ads had little impact on consumers, the Wall Street Journal reported Tuesday, citing people familiar with the matter.

General Motors late Monday confirmed that it is pulling its advertising from Facebook because it determined paid ads had little impact on consumers.

GM had been spending about \$10 million on paid advertising and \$30 million on unpaid marketing on Facebook.

"We are reassessing our Facebook advertising, but we remain committed to very aggressive social media strategies and will continue to push content on Facebook through our product and brand Facebook pages," GM spokesman Patrick Morrissey told AFP.

The news comes at a bad time for Facebook, which is expected to launch an initial public stock offering Friday valuing the social networking site at around \$100 billion.

GM's pullback comes as other marketers are questioning the value of paid ads on Facebook despite the vast amounts of time huge numbers of consumers spend on the site.

The US auto giant is the third largest advertiser in the United States with expenditures of \$1.8 billion in 2011, according to Kantar Media.

It will continue to expand its use of unpaid marketing such as the creation and management of content on the Facebook pages of its brands and cars, according to Morrissey.

While Facebook and Google both have broad reach, ads posted at the search giant's websites are 10 times more likely to be clicked than those at the social network, according to online marketing specialty company WordStream.

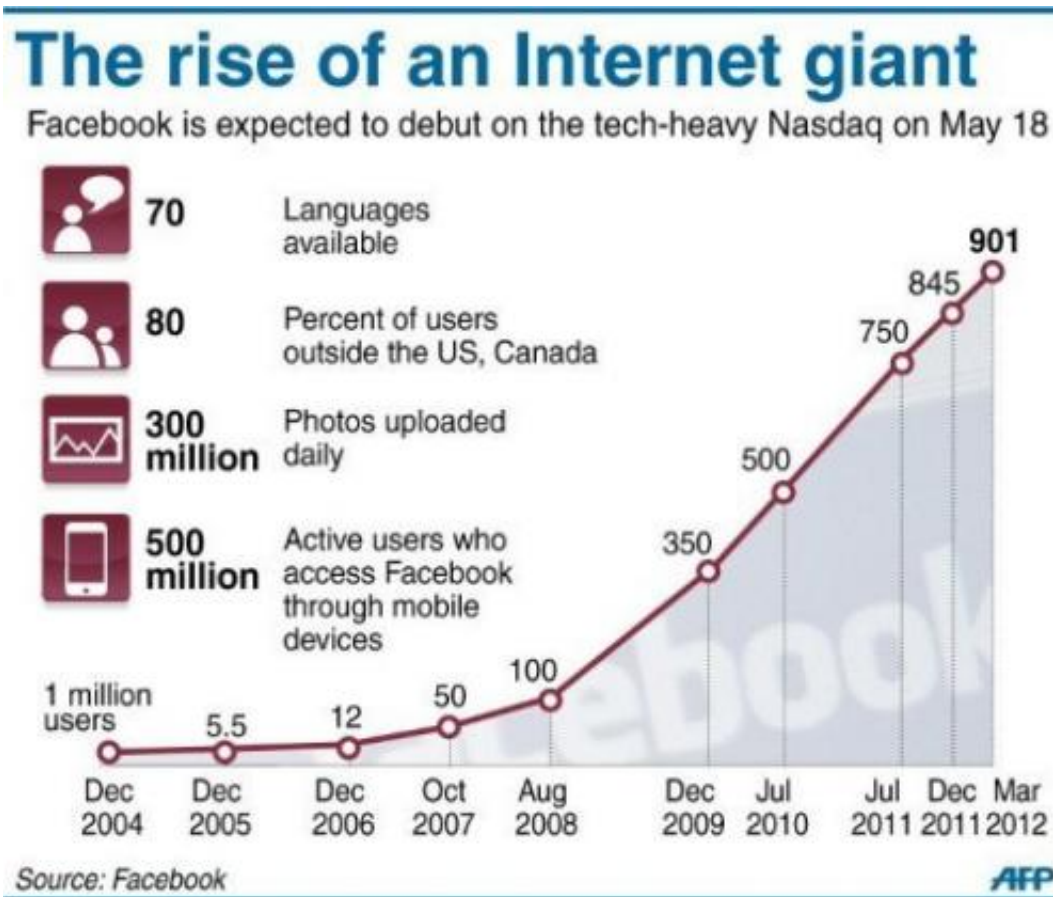
WordStream gave Google top grades for performance of its display ad network while it found Facebook in need of improvement.

"So far, Facebook's advertising platform hasn't kept pace with the explosive growth of its social network, and it remains to be seen if CEO Mark Zuckerberg even wants to focus on advertising as a source of revenue," said WordStream chief technical officer Larry Kim.

"In his 2,500-plus word letter to (prospective) shareholders this month, he mentioned advertising just once."

Google offers twice as many advertising formats as Facebook, including ads in videos and mobile games, according to WordStream.

"The comparison suggests that Google currently offers advertisers more value in terms of both options and results for advertisers, and that Facebook has a lot of catching up to do," WordStream said.



Graphic charting the rising number of Facebook users. The Internet giant is expected to debut on the tech-heavy Nasdaq stock market on May 18.

Facebook has yet to support advertising on smartphones or tablet computers that have become popular social networking tools, and has more limited ad targeting options than Google, the analysis concluded.

"As good as Facebook has been at evolving to serve consumers, that's how bad it's been at serving marketers," Forrester analysts Nate Elliott

and Melissa Parrish said in a blog post.

"Somehow Facebook still hasn't stumbled upon a model that's proven consistently successful for marketers, or that brings in the massive revenues to match the site's massive user base."

Facebook shortcomings at making money appeared not to be dousing passion for owning the company's stock.

Facebook on Tuesday raised the price range of shares to \$34 to \$38 in a move that could value it at more than \$100 billion when it starts trading on the Nasdaq exchange.

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