

# Facebook aims for piece of big TV ad budgets

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Even before Facebook begins displaying splashy video ads, it's preparing for a backlash from users like Amy Pittel.

The 44-year-old writer and stay-at-home mother from Livermore, Calif., says she's weary of being bombarded by ads on Facebook and the rest of the Internet, most of which she ignores.

"I shall continue to do as I always have when an unwanted video ad or commercial comes on: check my email or another Web page until the ad is finished," Pittel said.

So why would Facebook risk alienating its 1.1 billion users? It's betting it can finally crack open that big pot of dollars that marketers spend on television. Advertisers are expected to shell out \$205 billion on TV commercials this year, dwarfing what they spend online and on mobile devices.

Starting as early as this fall, Facebook plans to charge between \$1 million and \$2.5 million a day for [video ads](#) depending on the size of the audience an advertiser is trying to reach, according to a person familiar with the new ads who is not authorized to publicly discuss them.

The ads would play automatically on [mobile devices](#) and [desktop computers](#) but without sound unless users tap on or interact with them. Facebook users will see multiple 15-second video ads from one advertiser each day, he said.

A Facebook spokesman declined to comment.

It's a tantalizing proposition for marketers: online video ads that combine the images, sound and movement of TV commercials with the reach of the Internet and the ability to target key demographics and then track how people respond to ads.

Google Inc.'s YouTube, Yahoo Inc. and AOL Inc. are making their own pitches for TV ad dollars. AOL recently bought online [video advertising](#) firm Adap.tv in a \$405 million deal. And, in May, Twitter announced it was forming partnerships with media companies to track what people are tweeting while watching shows. The San Francisco company also has a deal with Nielsen to launch its own rating system this fall to measure the reach of TV shows on Twitter.

"We believe that the next step for Google, Facebook, Amazon and other Internet players is to finally attract ad dollars from the sizable TV [market](#)," Macquarie Securities analyst Ben Schachter said in a research report.

A recent survey from research firm EMarketer Inc. found that 75 percent of media buyers are likely or very likely to shift TV dollars to digital video advertising in the coming year, he noted.

"This changing mind-set on the part of advertisers presents a major opportunity for Google, Facebook and others to finally gain share from TV ad budgets," Schachter said.

Facebook has begun making its case with a study it commissioned from Nielsen that it drew more people in the 18-to-24 age group in prime-time viewing hours on weeknights than any of the four major television networks. Videos made and shared through its new video feature on Instagram are also catching on quickly.

"Facebook is clearly trying to compete with TV, and the ad dollars that have historically gone that direction. Their story is that more sophisticated targeting and better measurement capabilities of Facebook are not just competitive with television, but may in fact be better," said Clark Fredricksen, a vice president at EMarketer. "We will see if that's really the case."

Wall Street already has high expectations for Facebook's potential to draw TV ad dollars.

Facebook shares have surged past \$38, its initial public stock offering price, as the company gains momentum in its mobile advertising business and as analysts publish bullish estimates for how much revenue video ads could bring.

Morgan Stanley estimates that video ads could generate \$3.5 billion for Facebook by 2017. By next year, video ads could represent 10 percent of the social network's advertising revenue, analysts there said.

"Video is the new black," said Tim Hanlon, founder and chief executive of the Vertere Group, an advertising consulting firm. "Everyone wants to do video, even if it doesn't seem to fit. And I think on its face, video in social networks is a tough fit."

Pivotal Research Group analyst Brian Wieser says he thinks his Wall Street colleagues are overestimating the opportunity for Facebook.

"It will likely be more modest than optimists might expect, and what they generate will not likely come from television budgets," Wieser said.

Instead, Facebook probably will compete for advertising dollars that are currently going to YouTube, video ad networks and online portals, Wieser said.

He also thinks Facebook's goal to get \$1 million to \$2.5 million a day from video campaigns is unrealistic. Most digital budgets run tens of thousands, sometimes hundreds of thousands of dollars, with a single larger advertiser committing millions to Facebook over the course of a year, he said.

Facebook already offers a way for marketers to show video ads. They can embed videos in page posts and promote them.

This will be a far more direct way for marketers to reach Facebook users, although at least at first, Facebook video ads will target users based only on age and gender.

"The absolute commitment which Facebook is asking for is well beyond the scope of what advertisers will pay in a single one-off buy," Wieser said. "This leads us to suspect that over time Facebook will iterate its offering to include video assets, which are priced at much lower costs and included in general ad sales packages."

Other analysts wonder whether video will prove effective on Facebook. TV ads have worked so successfully in the past half-century in part because people are passively staring at a screen, not flipping through status updates, commenting on friends' posts or uploading photos.

So far, Hulu and other services have emerged as the big winners in video advertising, analysts say, because they are showing ads before or during studio-produced, premium content, much the way consumers are accustomed to seeing ads on TV.

"It's an order of magnitude more difficult to do TV-like video in social network environments," Hanlon said.

He says that's why Facebook is treading so carefully.

Behind the scenes, Facebook has taken great pains to balance what is potentially a lucrative opportunity to sell a new kind of ad with the concerns of users who come to Facebook to catch up with friends, not to be pitched products. For example, it is working to make sure videos load quickly so they don't distract and annoy users.

Lisa Bryant, a digital marketer from Little Rock, Ark., says she understands that Facebook has to make money, and she's hopeful Facebook video ads will be worthwhile.

"The trick, I think, is finding the right balance of disruption with relevance, with shareability," Bryant said. "I don't have any problem with disruption, as long as the content served to me is relevant and useful."

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