

Facebook's ads just keep creeping into new apps

July 26 2017, by Barbara Ortutay



This Feb. 19, 2014, file photo, shows WhatsApp and Facebook app icons on a smartphone in New York. Facebook has squeezed just about as many ads into its main platform as it can. Any more and users might start to complain. Now, ads are moving on to Messenger, and WhatsApp may not be too far behind. (AP Photo/Patrick Sison, File)

Scrolling through an ad-free Instagram is now a distant memory, much like the once ad-free Facebook itself. Soon, users of its Messenger app

will begin to see advertisements, too—and WhatsApp may not be too far behind.

Welcome to the Facebook ad creep.

The world's biggest social media company has squeezed about as many ads onto its main platform as it can. The fancy term for this is "ad load," and Facebook warned investors back in 2016 that it has pretty much maxed it out. Put any more ads in front of users and they might start complaining—or worse, just leave.

As such, Facebook, a free service that relies almost completely on ads to make money, has to keep finding new and creative ways to let businesses hawk their stuff on its properties.

One solution is to spread ads beyond Facebook itself, onto the other popular messaging and photo-sharing apps it owns.

So far, it's working. On Wednesday, Facebook posted a 71 percent increase in net income to \$3.89 billion, or \$1.32 per share, from \$2.28 billion, or 78 cents a share, a year ago.

Revenue for the three months that ended on June 30 rose 45 percent to \$9.32 billion from \$6.44 billion. The Menlo Park, California-based company's monthly active user base grew 17 percent to 2.01 billion.

INSTAGRAM



In this Tuesday, April 12, 2016, file photo, new features of Messenger are displayed during the keynote address at the F8 Facebook Developer Conference in San Francisco. Facebook has squeezed just about as many ads into its main platform as it can. Any more and users might start to complain. Now, ads are moving on to Messenger, and WhatsApp may not be too far behind. (AP Photo/Eric Risberg, File)

Ads began arriving on Instagram, which Facebook bought in 2012 for \$1 billion, in 2013. It was a slow and careful rollout, and tells us a lot about Facebook's subsequent ad strategy.

The company didn't want to upset Instagram's loyal fans, who were used to scrolling through beautiful landscapes, stylized breakfast shots and well-groomed kittens in their feed. An ad for headache pills would have interrupted the flow. So Instagram started off with just a few ads it considered "beautiful," selected from hand-picked businesses. For a

while, CEO Kevin Systrom reviewed every ad before it went live.

Four years later, things have changed a bit, although to Instagram's credit, not so much as to alienate significant numbers of its 700 million users (up from 100 million in 2013). There are more ads now, Systrom no longer inspects them before publication, and while many could still be called "beautiful," users are also likely to see generic ads not specifically created for Instagram.

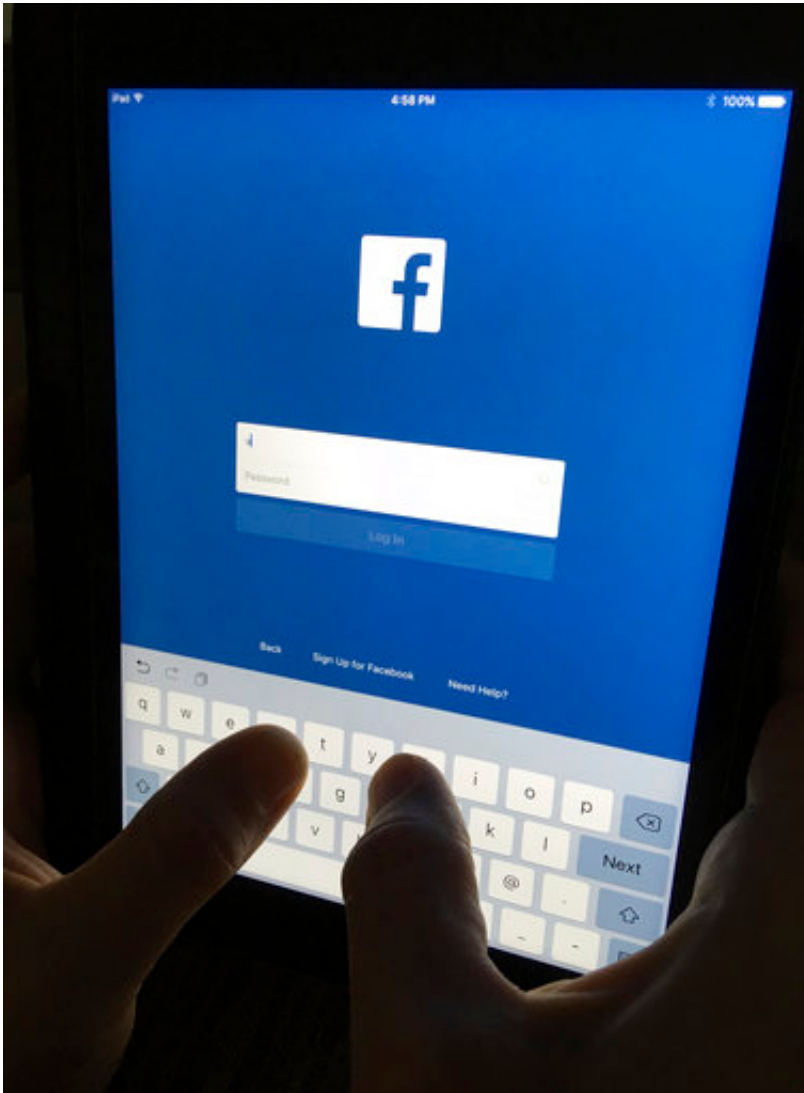
By this point, though, people seem to have gotten used to them.

MESSENGER

Facebook has already been testing ads on its primary chat app, and earlier this month it announced it will expand this test globally. Paralleling its experience with Instagram, Facebook told developers and businesses they can start showing ads—specifically for brands that people "love" or that offer an "opportunity to discover experiences"—to Messenger's 1.2 billion users.

A tsunami it won't be. Facebook product manager Ted Helwick wrote in a blog post that a "small percentage" of Messenger users will start seeing ads by the end of July. The company will then study that limited rollout to ensure that it's delivering "the best experience."

Of course, even a small percentage of 1.2 billion users could be tens of millions of people. But this gives Facebook a chance to see what works and what doesn't without mass revolt.



In this Monday, June 19, 2017, photo, a user signs into Facebook on an iPad, in North Andover, Mass. Facebook has squeezed just about as many ads into its main platform as it can. Any more and users might start to complain. Now, ads are moving on to Messenger, and WhatsApp may not be too far behind. (AP Photo/Elise Amendola)

And it highlights the importance of Facebook's decision to spin out the Messenger app from its main Facebook app (and to start pressuring people to use it). While Facebook billed its decision as a way to make Messenger easier to use, it also essentially doubled the available real

estate for its mobile ads.

WHATSAPP AND MORE

With its popularity outside the U.S. and in developing countries, WhatsApp might be a harder nut to crack when it comes to ads. But there are signs it's coming. It's true that WhatsApp's CEO Jan Koum promised users they can count on "absolutely no ads interrupting your communication" when Facebook bought the company in 2014 for \$19 billion.

But last August, WhatsApp updated its privacy policy to reflect that the service would be sharing user data with Facebook so that it could "offer better friend suggestions" and "show you more relevant ads" on Facebook and its other properties.

That doesn't mean that ads will appear on WhatsApp right away. But in the same post, the company also said it wants people to be able to communicate with businesses, not just people. That's exactly how Messenger began dabbling in the advertising business.

What else can Facebook do?

"One, they will raise their rates on ads," said Matt Britton, CEO of social media marketing company CrowdTap. "Because they can. The value is tremendous for advertisers right now, including for video ads."

For eMarketer analyst Debra Aho Williamson, Facebook video presents the biggest opportunity for ad-business growth. How people will respond to Messenger ads remains uncertain, she said. But with video, Facebook is doing what people already know, taking short and long-form programs and inserting ads in the middle.

That lets Facebook attract money from "traditional video advertisers," she said—meaning the folks who honed their talents inserting ads into prime-time shows.

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Citation: Facebook's ads just keep creeping into new apps (2017, July 26) retrieved 23 May 2024 from <https://phys.org/news/2017-07-facebook-profit-user.html>

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