

Facebook move will play out in long-term: analysts

January 13 2018, by Thomas Urbain



Facebook has announced plans to give greater priority to family and friends in its News Feed

Facebook's move to highlight posts from friends and family over those from brands and publications follows months of turmoil for the social

network and will result in lower advertising revenue—at least in the short-term, analysts said.

Facebook founder and CEO Mark Zuckerberg announced the shift in the configuration of the News Feed on Thursday, saying it would reduce engagement by users at first but would lead to their improved "well-being."

While Zuckerberg described the move as being designed to bring people closer together and foster more "meaningful social interactions," analysts noted that it comes amid criticism of the world's leading social network on various fronts.

Facebook has been under fire for months for the proliferation of Russian-created "fake news" on the platform that may have impacted the 2016 presidential election.

Zuckerberg initially scoffed at the suggestion Facebook had been used as a Russian propaganda tool, before acknowledging that mistakes had been made and promising to do better in 2018.

Facebook revealed in September that "inauthentic" accounts created in Russia had purchased advertising on the site designed to increase tensions during the election campaign.

A USA Today/Suffolk University poll published in October found that Americans believed by a two-to-one margin that Facebook should have done more to identify and reveal the Russian ads.

In September, in another blow for the social network, ProPublica reported that Facebook's ad-buying platform could be used to deliver ads to users who identify as anti-Semites.

Facebook said it quickly shut that capability down.

The company also took a number of steps to eliminate graphic or violent content on the site following several incidents, including the live-streamed murder of a young girl in Thailand.

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'More social and less media'

Despite some turbulence, Facebook appears to have weathered the storms so far.

A study published in August by NetBase found that Facebook is still the preferred brand of Internet users.

In September, the latest month for which figures are available, Facebook's total number of users was up 16 percent over a year earlier to 2.07 billion.

And while Facebook suffered on the stock market on Friday—its shares lost 4.47 percent—analysts said they did not expect it to last.

"We believe these changes will be beneficial to Facebook in the medium and long term," said Brian Weiser of the Pivotal Research Group. "In our view, making the feed more relevant should boost user and engagement growth over time.

"Facebook is making the service more social and less media, and that's likely a positive for the vast majority of users," Weiser said.

RBC Capital Markets said lower user engagement with the site may provide a "headwind to growth in the near-term," but the changes will be "helpful for the long-term health of the business."

While analysts were sanguine, some users, particularly publishers, were worried.

Susann Hoffman, co-founder of the German website Edition F, said she was upset that the move had been done without any consultation.

"I am personally quite unhappy with the fact that Facebook decides for its users what is relevant to them and what not," Hoffman said.

She argued for more personalization—giving users a greater ability to decide for themselves which content they would like to see.

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