

## Background

In the past few days Facebook has been testing a new ad product that will see ads appear in users newsfeeds both on desktop and mobile. Sponsored Stories in newsfeeds have been around since January 2012, but what is new is that these ads are now going to be shown to users even if they or their friends have not directly interacted with the brand – by liking it for example.

## Details

Facebook has always stressed the importance of relevance and the user experience being core to its service, but the added accountability and pressure created by its stock market listing has forced Facebook to concentrate on monetizing its platform. The new adverts won't have to feature social context such as whether a friend liked or commented on the post. Instead they are served up in a similar way to a traditional display ad and targeted in a similar way. This is the latest beta test of a suite of products that will let marketers advertise without social context. Last week Facebook rolled out mobile app ads, which allows developers to promote their apps alongside organic recommendations for users, part of the social platforms growing mobile play. The design of these new ads will be similar to other Page Post ads in the newsfeeds, but they will be labeled as "sponsored". These ads can be targeted by interest, age, and also by platform, such as desktop or mobile.

## Implications

This new ad format is in the heart of Facebook's service, where the majority of users have the highest dwell time. The benefit of being in the newsfeed is that mobile users are able to see the ads without a major design change to the homepage. Very high CTR and interaction rates have already been seen from the more traditional sponsored stories, which now draw-in nearly \$1 million / day in revenue. So it is fair to assume we would see similar results with the new ad product. The targeting by age, interest and platform means that advertisers can reach much wider audiences with their messages, which is great news. On the other hand, many brands on Facebook have spent a lot of time and effort in building up sizable fan bases, this has given them premium slots in the newsfeed, but if this area is to be opened to all paying advertisers, this could devalue the hard work that brands have put in. To add to that, it will be interesting to witness the reaction of the users and whether they feel that adverts in their newsfeed for potentially 'non-relevant' brands diminishes their experience. This concern has already been raised with the 'opt-in' version of the adverts. Now that it is moving one step further away from the user having opted for interaction, it could intensify this feeling and potentially lower the engagement of these highly valuable positions. Additionally,



how users are going to be able to differentiate between brands that they have liked and those that have simply paid to be in the space, is still to be decided.

### **Summary**

This change determines different challenges for a company that post-IPO has multiple needs: on one side, to monetize its platform by rolling out new and compelling ad units, and on the other, to retain trust from its users. The two objectives seem clearly divergent, and it's now just a matter of waiting and seeing what will come next.

From a brands perspective it's positive for Facebook to be rolling out a richer and more engaging ad unit, which will be also more compelling to users than a simple display ad.