

Facebook Makes a Large Bet to Reinvent Advertising

Andrew Frank, Ray Valdes

Facebook bills its new initiative as the future of advertising. Success is far from certain and depends on subtle implementation details and uncharted areas of consumer behavior.

NEWS ANALYSIS

Event

On 6 November 2007, Facebook announced a multifaceted advertising initiative, Facebook Ads.

Analysis

Facebook is billing Facebook Ads as a fundamental departure from all previous forms of advertising, but its combination of features has substantial roots in established ad technologies such as social brand personas, buzz monitoring and behavioral targeting. Facebook Ads has three components:

- "Pages" allows a brand to create a digital persona that people can befriend. This feature, offered on other sites, reverses a prior policy and extends the "social graph" model that Facebook has been promoting. This may generate backlash, depending on how much the resulting content resembles spam and how well users can avoid unwanted content.
- "Insight" provides profile-based targeting capabilities for brands to help them establish and maintain fan bases. Iterations of this feature also are on competing social networks.
- "Beacons" extends behavioral targeting into unexplored territory. It allows third-party Web sites to place code on their pages that allows visiting Facebook members to elect to share the story of their purchase or other brand interaction with their friends. Forty-four sites have initially partnered with Facebook to form this network, including The New York Times, Blockbuster and eBay.

Facebook's approach raises some concerns for privacy advocates. Users get substantial new opt-out opportunities, but there is no initial opt-in, and it remains unclear whether these opt-outs just suppress the story, or also block Facebook from collecting tracking information. Facebook said advertisers won't have access to users' personal information or to the social actions that accompany those ads. While these are good intentions, the process and technology are immature and will change rapidly. This situation could result in a treacherous landscape for brands and ad platforms.

Gartner believes that this social vocabulary is so new and unfamiliar to consumers and brands that, if it succeeds, it will be because Facebook was adept and agile enough to make the necessary changes to the online lexicon. Facebook has been successful in past gambles. It understands that its core value proposition is a carefully cultivated user experience, and thus far has managed to balance this priority with the need to make money.

RECOMMENDATIONS

- **Privacy advocates:** Ask to audit Facebook data collection policies and practices for compliance with best practices around opt-out, privacy and data security.
- **Brand advertisers:** Seek support from public relations to monitor and handle real-time developments. Use control groups, baselines and monitoring points to gain maximum visibility into effects of social campaigns. Beware of traditional approaches.

RECOMMENDED READING

- "Google Takes First Step in Face-off With Facebook" — Google's OpenSocial initiative launches its long-awaited counterstrike to the Facebook challenge. **By Ray Valdes**
- "Marketing Widgets and the New Discipline of Social Media Optimization" — The rapid rise of widget platforms on desktops and social media sites creates new opportunities and challenges for marketers and media companies. **By Andrew Frank**

(You may need to sign in or be a Gartner client to access the documents referenced in this First Take.)

REGIONAL HEADQUARTERS

Corporate Headquarters

56 Top Gallant Road
Stamford, CT 06902-7700
U.S.A.
+1 203 964 0096

European Headquarters

Tamesis
The Glanty
Egham
Surrey, TW20 9AW
UNITED KINGDOM
+44 1784 431611

Asia/Pacific Headquarters

Gartner Australasia Pty. Ltd.
Level 9, 141 Walker Street
North Sydney
New South Wales 2060
AUSTRALIA
+61 2 9459 4600

Japan Headquarters

Gartner Japan Ltd.
Aobadai Hills, 6F
7-7, Aobadai, 4-chome
Meguro-ku, Tokyo 153-0042
JAPAN
+81 3 3481 3670

Latin America Headquarters

Gartner do Brazil
Av. das Nações Unidas, 12551
9º andar—World Trade Center
04578-903—São Paulo SP
BRAZIL
+55 11 3443 1509