

Photo Rival Snaps at Facebook's Heels

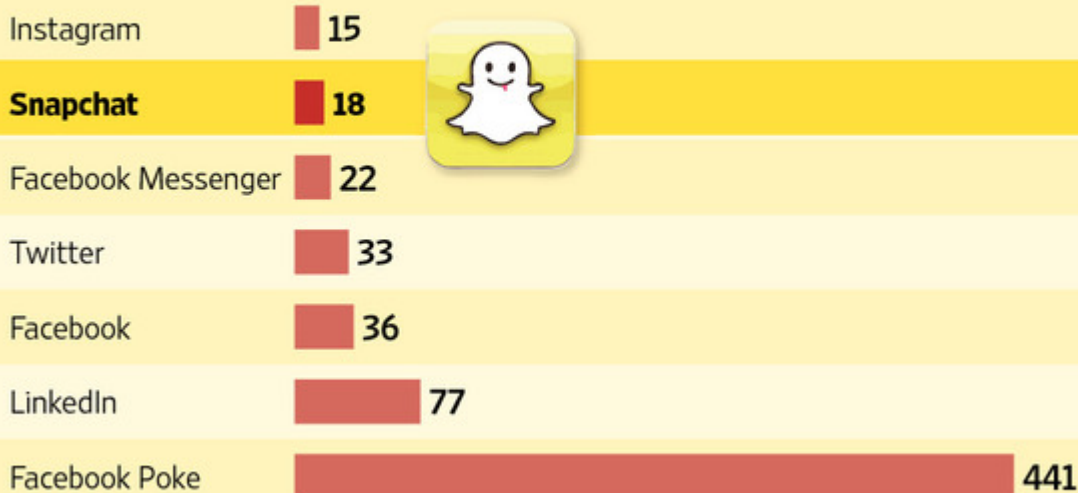
<https://www.wsj.com/articles/SB10001424127887324432004578306301278320548>

Updated Feb. 15, 2013 11:53 pm ET

- Chief Executive [Mark Zuckerberg](#) announced "graph search" last month, launching it to a small set of users before it is released widely. For investors, the hope is that it can increase engagement and, in turn, revenue. But early testers are being reminded of the one thing many don't like about the social network: Having an online public record of your life can have drawbacks. Contrary to Facebook's goal, it may actually discourage users from sharing more content.
- It is clear some users are already anxious about leaving a digital record of everything—just look at the ultrafast growth of Snapchat. Ranked 18th overall among free iPhone apps, according to analytics firm App Annie, Snapchat is a mobile app that lets users send photos to friends. The key feature is that within 10 seconds, the photos disappear. So there is less anxiety about how good the photo looks, or where it is going to end up.
- Many think that the app, which is particularly popular among teens, must be a new tool for sexting. For some it probably is, but for the bulk of users, it is probably better thought of as the anti-Facebook—a stress-free way to share snapshots in the moment. Facebook's new search tool, in contrast, is a reminder that user profiles can be a permanent record.

Chasing Ghosts

Current ranking among free iPhone apps



Source: App Annie

The Wall Street Journal

- When it comes to user wariness about sharing too much, Facebook is clearly aware of the issue. It long ago gave users the ability to limit those who could see certain photos, so the shots that a user sees of themselves in search results may not be viewable by the public. Also, Facebook lets users "untag" photos of themselves, effectively removing them from its search engine's results. This can be a laborious process, however.

Facebook Buys Digital-Ad Service From Microsoft

<https://www.wsj.com/articles/SB10001424127887323978104578332700347501098>

Updated Feb. 28, 2013 6:08 pm ET

- Facebook is using its foothold of more than one billion users to become a growing hub for marketing pitches from [Coca-Cola](#) Co. and other major companies. Meanwhile, Microsoft has retrenched from its ambitions to sell online advertising across the Internet.

- One of Atlas's biggest selling points is proprietary data that tracks online purchases and shows how online ads may have influenced those purchases. If a person buys a toy car online, for example, Atlas can show marketers the same person saw an ad for the toy car on prior days on three different websites.
- "This is about building out the next generation of advertising tools," said Brian Boland, Facebook's director of monetization product marketing, in an interview. He said the Atlas deal wasn't motivated by what many marketers believe is Facebook's ambition to become a major middleman for digital ads, as Google is, across a swath of websites.
- For Microsoft, the sale is continued fallout from its \$6 billion purchase in 2007 of digital-marketing firm aQuantive Inc., of which Atlas was a part. Microsoft hoped the deal would push it into the top rung of digital-advertising companies.
- Instead, Microsoft last year took a \$6.2 billion charge against earnings that largely reflected the waning value of its digital-ad business. Microsoft also has sold a digital-marketing agency that was part of aQuantive, and some advertisers say Microsoft has allowed Atlas to wither.

Facebook Working on Incorporating the Hashtag

<https://www.wsj.com/articles/SB10001424127887323393304578360651345373308>

Updated March 14, 2013 5:02 pm ET

- The hashtag is closely associated with Twitter, and fans of the service use the hashtag as short-form creative expression.
- Facebook is testing whether to follow Twitter's lead and allow users to click on a hashtag to pull up all posts about similar topics or events so it can quickly index conversations around trending topics and build those conversations up, giving users more reason to stay logged in and see more ads. Instagram, which Facebook acquired last year, already uses hashtags, allowing users to sort photos by the symbol.
- Facebook's work on a hashtag is a sign of the heightening battle between Facebook and Twitter, as both compete for mobile users and fight for advertising dollars.
- In recent years it has mirrored some of Twitter's features by creating "subscriber" lists for users, and allowing people to tag celebrities and brands with the "@" sign.

Tensions Rise Between Facebook, Developers

<https://www.wsj.com/articles/SB10001424127887324392804578363033497647670>

Updated March 19, 2013 1:39 pm ET

- Vintage Camera, which competes with Facebook's Instagram app, is one of a growing number of third-party apps that have been blocked by the social network recently.
- Facebook has long had a complex relationship with developers as it balances a complicated set of interests. The company says it is stepping up efforts to police the network by curbing spam and restricting apps that aren't adding sufficient value to the network.
- Developers say the crackdown is an attempt to stifle applications that compete with Facebook-owned services or part of an effort to get developers to pay for ads on Facebook.
- Developers are critical to Facebook because their content makes up a large share of posts that populate the social network, helping to attract new members and keep users engaged. Zynga Inc.'s social games on Facebook, for instance, drew tens of millions of people during Facebook's earlier years and kept users clicking.
- But as Facebook becomes a bigger business, it is struggling to balance developers, advertisers and its own new products—such as its stand-alone messaging apps and voice calling—that may compete with those of third-party developers.
- Facebook recently clamped down on developers' ability to automatically post items on a user's wall and customize messages for people, and ran a test that limited how some developers can send alerts to members. All of this essentially reduced developers' ability to catch the attention of Facebook users.

- Every day, an internal system called "Stripe" monitors posts published by apps. If too many users report spam from an app, Facebook will restrict its distribution. Since last year—when Facebook began a major push to squash spam—complaints about spam have dropped 90%. Publishers and advertisers contend Facebook was suppressing their content.
- Fair or not, Facebook's moves risk alienating developers, leading some to build applications that are less integrated with the site. A trend in this direction would mean less content and data for Facebook, potentially hampering its ability to serve ads.
- The frustration, according to many developers, is the sense that Facebook's rules are always shifting. Popularity, for example, is largely dictated by a constantly changing algorithm that determines what posts a user sees in his or her Facebook feed, which developers and others have dubbed EdgeRank. EdgeRank surfaces just a fraction of the content available.
- But once Facebook went public, "they had to start thinking much more about becoming a business, and as a business, a higher percentage of the feed had to be about ads," Mr. O'Malley said.

What Is Facebook 'Home'?

<https://www.wsj.com/articles/SB10001424127887323646604578402843965229884>

April 4, 2013 6:15 pm ET

- The new software is more than a Facebook app—think of it as a skin built around the Android platform. Home replaces the smartphone's typical cover screen and instead populates Facebook content, such as photos, messages and status updates. Home still provides access to apps on the phone, but the experience is centered around Facebook.
- Cover Feed is the screen that appears when a user turns on the phone. Rather than simply showing a clock and a background photo, the Cover Feed displays photos and their captions from Facebook friends. Messages and status updates float on top. Users can swipe through the photos, double tap to "like" them or add comments.
- Chat Heads is what Facebook calls its messaging interface. When a user receives an inbound message from someone—whether a text message or a Facebook message—the sender's Facebook profile photo appears on the screen in a small circle. Users can tap the photo to chat with that person, even when browsing the Web or in another app. More than one "chat head" can appear on the screen. The idea is to provide a simpler messaging experience without having to switch back and forth between apps.
- Home also comes with a launch menu populated with a users' favorite apps and basic Android apps. Key Facebook tools, such as photos, status updates and check-ins, are also embedded at the top of the launcher as buttons.

Buy Signal: Facebook Widens Data Targeting

<https://www.wsj.com/articles/SB10001424127887324504704578412960951909032>

April 9, 2013 7:33 pm ET

- On Wednesday, Facebook officially plans to roll out a new advertiser tool to help advertisers directly target Facebook users based on their offline spending history.
- The tool marries what Facebook already knows about people's friends and "likes" with vast troves of information from third-party data marketers such as Datalogix Inc., Acxiom Corp. and Alliance Data Systems Corp.'s Epsilon. That includes data on the Web pages that consumers visit, the email lists they have signed up for, and the way they are spending money online and offline.

What Facebook Knows

The social network gathers all sorts of data from its users, such as age, friends and interests, but it also collects information outside its website.



Source: the company

The Wall Street Journal

- As it broadens its network of data partners, Facebook is creating an increasingly detailed composite of their behavior, from what products they're buying at the drugstore to sexual preferences and predicting what big purchases they may be contemplating.
- He said Facebook's relationship with data partners could become more worrisome if Facebook leverages the location data it passively collects from mobile devices to sell ads.
- Facebook said it isn't using location data from smartphones to target ads and that it has created a program to make anonymous data between itself and its data partners. Facebook members can also click on ads for information on why they were targeted and can opt out of future ads from that specific advertiser or from receiving all targeted ads from each data partner.
- General Motors, for one, is returning to advertising on Facebook on a trial basis after walking a way nearly a year ago. Using the new tool, the auto maker is targeting younger buyers who might be interested in its Chevrolet Sonic subcompact car, said two people familiar with the matter. The Sonic promotions are only exploratory at this point and GM remains cautious after dropping Facebook as an advertising resource in May 2012.
- Neiman Marcus Group is also ramping up its ad spending on the social network after cutting back two years ago. The company previously could only target ads based on limited actions on Facebook—such as a user's "like" of a company page. Now the upscale retailer can push mobile or desktop ads specifically to Facebook users who regularly spend on high-end apparel or those who looked online at making a clothing purchase but didn't pull the trigger.
 - Mr. Shockey said early data suggest Facebook ads using the targeting methods are comparable to GoogleInc.'s search ads in driving sales. He declined to be specific or to comment on how much spending on Facebook ads has increased.
- How much the ad targeting has helped Facebook's business is unclear, since the Menlo Park, Calif., company doesn't break out revenue from specific ad products. But in Facebook's first quarter—the first full quarter after the debut of some key targeting products—advertising revenue rose 40.9% from a year earlier to \$1.3 billion.
- Sean Williams, social media manager for Hyundai's America group, said he was also pleased with a recent Facebook ad campaign that helped result in a 28% lift in sales. Mr. Williams said Hyundai plans to tinker with Facebook's targeting tools over the next year to find new ways to reach high-potential consumers.

- "In the past, we really just used Facebook as an engagement tool," Mr. Williams said. "We're now thinking about turning this into an evergreen, or always on, program."

Facebook to Buy Mobile Startup Parse in Cash-and-Stock Deal

<https://www.wsj.com/articles/SB10001424127887323789704578445311737656822>

Updated April 25, 2013 8:27 pm ET

- Facebook which is ramping up its mobile business, has agreed to buy startup Parse in a cash-and-stock deal valued at about \$85 million
- Parse, which was founded in 2011 and has raised \$7 million from investors like Ignition Partners, helps companies build mobile applications across different operating systems. In recent months, Parse had been raising a financing round that would have valued it at north of \$50 million and it had received term sheets
- People familiar with the matter said Facebook swooped in with an offer instead. Dropbox Inc. also bid for Parse, said one of the people, though its bid was lower than Facebook's. Google and Yahoo had also expressed interest in the startup
- Douglas Purdy, Facebook's head of platform, said in a blog post that the social network acquired Parse to "enable developers to rapidly build apps that span mobile platforms and devices." Facebook declined comment beyond the blog post.

Facebook, With a Focus on Mobile, Works on Project for News Via Users

<https://www.wsj.com/articles/SB10001424127887323998604578563853135203858>

June 23, 2013 8:26 pm ET

- The social network has been quietly working on a service, internally called Reader, that displays content from Facebook users and publishers in a new visual format tailored for mobile devices
- The project, which the company has been developing for more than a year, is designed to showcase news content in particular. Recent versions of Reader resemble Flipboard Inc., a smartphone and tablet app that aggregates stories from multiple sources and lets users swipe to flip through articles
- the Reader project is a sign the company is trying to get users to spend more time with it on mobile devices—and to see more ads.
- This month, Facebook rolled out hashtags, a feature popular on rival Twitter Inc., that lets users find public conversations based on words marked by the "#" sign.
- Earlier this year, Facebook unveiled a redesign of the news-feed portion of its main Web portal that features a more prominent display of content from news publishers. At an event to unveil the redesign, Mr. Zuckerberg said he wanted Facebook to be "the best personalized newspaper in the world."
- Earlier this year, LinkedIn Corp. spent roughly \$90 million to acquire Pulse, another mobile news reader. In a blog post, the company said it had signed the deal, in part, to become the "definitive professional publishing platform."
- Although consumers are spending increasing amounts of time with mobile devices, the users of Facebook's apps often drop in for brief sessions of just a few minutes, quickly skimming or adding posts, before jumping to the next thing, according to one of the people familiar with Facebook's mobile efforts. A more immersive experience could open up new ad models for Facebook, which now generates about a third of its revenue from mobile.
- "There are a lot of things people didn't do on Facebook several years ago that they now do," said Nate Elliot, a Forrester analyst. "But I imagine it's going to be very hard" to retrain consumers to see Facebook as a go-to hub for news.

Facebook Plays Catch-Up With Twitter on Video

<https://www.wsj.com/articles/SB10001424127887323300004578555891415047754>

Updated June 20, 2013 12:20 pm ET

- At an event on Thursday, Facebook is expected to unveil pieces of its own Vine-like video service, under development for months, that would allow users to create and share brief video clips, people familiar with the matter said.
- The latest contest between Twitter and Facebook shows just how hard it is for even these relatively nimble young companies to stay ahead of the curve.
- At stake is more than just Facebook's credibility with tech-savvy trend setters, but rather a growing form of advertising that both rivals want to dominate: The video-ad market is expected to grow 41% to top \$4 billion this year, according to eMarketer Inc.
- According to Twitter, Vine now has more than 13 million users. That is just a fraction of Instagram's more than 100 million members. But Vine is rapidly grabbing the attention of brands and other influential users, especially retailers and fashion houses, that are trying to create new visual ads for smartphones. Michael Litman a social strategist at ad agency AnalogFolk says he has identified 50,000 brands using the service. This week, for instance, [Burberry Group](#) PLC created a Vine video of its entire London menswear fashion show.
- The Vine messages show how advertisers are tapping into new consumer habits by looking beyond traditional video ads, such as the short clips that air before YouTube clips. More people, they say, are gravitating to shorter videos and constantly dividing their attention between apps and other distractions on the Web and mobile devices.
- Despite its potential, Vine has yet to generate much money for Twitter. The app itself is free and only a few brands, such as [Samsung Electronics](#) Co., have paid to promote their Vines on the microblogging site.
- Facebook ad executives have been working hard to better embrace video more broadly. Although users currently share some video content on the site, most of it is hosted by other Internet companies, such as Google Inc.'s YouTube, thus limiting how much money Facebook can make off of such content.

Vines Start Creeping Up on Facebook

<https://www.wsj.com/articles/SB10001424127887323300004578557762350305322>

June 20, 2013 4:27 pm ET

- Lately, Facebook is having trouble inventing social services of its own. That is a risk for investors who take comfort in the network's sheer ubiquity.
- As Internet usage shifts from desktop computers to mobile devices, rival social services are the ones offering innovative ways to share photos and videos as well as to communicate with friends. Given the huge advertising business Facebook has grafted onto such activities—generating \$1.2 billion of revenue in the first quarter alone—it is problematic if users migrate elsewhere.
- The latest hot social service is Vine, a smartphone app that makes it simple to record and share snippets of video. Owned by Twitter, Vine's app is ranked among the top 10 for the iPhone and has gathered more than 13 million registered users since launching in January.
- That may equate to a tiny fraction of Facebook's user base, but Chief Executive [Mark Zuckerberg](#) knows how to spot a threat. On Thursday, he announced that Facebook-owned mobile app Instagram would adopt Vine-like video features.
- Snapchat is another photo-sharing app, particularly popular with teens, that threatens Facebook. Facebook has also mimicked Snapchat with its own mobile app called Poke, which never caught on.
- The good news for Facebook shareholders is that while it is fairly easy to copy rival services, it will be very difficult for rivals to replicate Facebook's gigantic user network. For example, when Facebook adopted a feature made popular by Foursquare, namely the ability to tell friends where you are by "checking in" at a location, it undercut that startup's momentum. Any service based on sharing is

more valuable if you can do that sharing with more people. And no service can compete with Facebook's user base of 1.1 billion monthly active users.

- The sheer breadth of sharing tools offered by Facebook, coupled with its huge user figures, means it stands alone in terms of the time users spend with the service. The aggregate time spent on its mobile app, for instance, is double that for its closest rival, according to comScore. In another sign that use of its services isn't declining despite rivals' growth, the percentage of Facebook's active users that access it daily is on the rise.
- The bad news is that some rivals are achieving scale rapidly. WhatsApp, a popular smartphone-messaging service that competes with Facebook's "Messenger" app, is just four years old yet sports over 250 million monthly active users. It is very quickly building a social network, one that is arguably more valuable than Facebook's since it is based on users' smartphone address books. That is the ultimate "friends list," since people keep it updated with those they contact most frequently.

Facebook Tests Payments Tool

<https://www.wsj.com/articles/SB10001424127887323639704579015183744090794>

Aug. 15, 2013 10:27 pm ET

- The new service will give consumers an option to prefill their payment information stored on Facebook with the mobile apps of retailers that partner with the social network.
- Facebook, however, underscored that it won't process the payments nor compete directly with digital-payments processors such as [eBay](#) Inc.'s PayPal.
- Under the test, a user visiting a retailer's app will see the option to fill out payment fields with information already stored on Facebook.
- The user must click to give the app access to this data. Once permission is granted, the information will immediately populate the checkout form, saving the user the hassle of typing in their credit-card information on a small device.
- The process may save a shopper only seconds for each transaction, but it makes it less likely that the buyer will walk away from a purchase.
- However, by inserting itself in the last mile of the checkout process, Facebook builds its case among brands that it is driving sales and is critical to their mobile strategy. It will also help the company collect more data on its users.

Facebook Probed on Privacy Issues

<https://www.wsj.com/articles/SB10001424127887324094704579069911830908636>

Sept. 12, 2013 9:53 am ET

- On Aug. 29, the social network announced an update to the company privacy policy. In the update, the company stripped language that explicitly allowed users to limit how their names and profile pictures could be used for marketing. The new policy said that by signing up for Facebook, members—including minors—gave Facebook the right to use their personal data.
- The move sparked protests from some privacy advocates, who complained to the FTC that Facebook broke the terms of a 2011 court order. The order said that Facebook must get consent from users before making changes that override their privacy preferences. It also required that Facebook change its policies to more clearly explain to members how their data would be used. (The court order was put in place because the FTC said Facebook had promised users that their data wouldn't be shared with advertisers, but the company gave advertisers access to user data anyway.)
- While Facebook says that its most recent policy change was intended to make company practices more transparent, advocates said that the company had stripped members of their privacy rights.
- Facebook spokeswoman Jodi Seth said in an emailed statement that the company hadn't broken the law.

Facebook's New Teen Policy Draws Fire

<https://www.wsj.com/articles/SB10001424052702304384104579141822920577550>

Oct. 17, 2013 7:49 pm ET

- Facebook said it would let users between the ages of 13 and 17 make posts "public" so that they can be seen by anyone on the network. Previously, teenagers' posts could be seen only by their friends and "friends of friends."
- With the shift, Facebook will operate more like such rivals as Twitter Inc. that let teens share publicly. Twitter, unlike Facebook, also lets users post anonymously or with pseudonyms.
- Analysts said Facebook risks losing the next generation of young users if it doesn't keep pace with competitors. But some privacy advocates are more concerned about public posts on Facebook than on other sites because of its vast reach. It has 1.2 billion users world-wide, roughly five times as many as Twitter. Facebook also allows users to post a wider range of media and to comment more broadly than Twitter does.
- Last month, several groups asked the Federal Trade Commission to block an earlier Facebook policy that would allow wider marketing to teens. The groups called that policy an "aggressive mix of data collection, profiling and tracking."
- Nicky Colaco, Facebook's manager of privacy and public policy, said that executives deliberated carefully before making Wednesday's change but concluded that "teens do deserve to have a very deliberate and public voice."
- As a precaution, she said, Facebook has added a pop-up warning before teens can post anything publicly, telling them, essentially, that "public really means public." Facebook Wednesday also changed the default settings for teen posts so they can be seen only by "friends" rather than "friends of friends." Teens can still adjust the setting.
- Ms. Colaco said Facebook has taken other steps to protect teens, including placing limits on marketing for alcohol, gambling and dieting. It also attempts to ferret out kids who lie about their age to get around teen privacy policies.
- The new policy, Ms. Colaco said, emerged after numerous meetings with teenagers who urged the company to let them post publicly so that they could use Facebook for fundraisers and political advocacy, as well as to promote extracurricular activities like bands and sports.
- Ms. Colaco said that Facebook executives discussed the idea with its Safety Advisory Board, which includes representatives of five nonprofit groups that focus on Internet safety. She said board members concluded that allowing public posts would be empowering for teens, outweighing potential concerns.

Facebook Stock's Status: It's Complicated

<https://www.wsj.com/articles/SB10001424052702304470504579165791438056728>

Oct. 29, 2013 3:12 pm ET

Fair-Weather Friends

Facebook's revenue growth,
year over year, quarterly



Source: FactSet

- Revenue is expected to be 52% higher, versus the year-ago period, only slightly below the second quarter's blinding pace. Investors reacted to those results and signs mobile advertising was taking hold by bidding up the stock nearly 30% on July 25 alone.
- Mr. Damodaran sees Facebook as worth between \$25 and \$30 a share. The shift to mobile advertising doesn't excite him because that is integral to the 40% or so revenue growth that analysts project for the next few years.
- "You'd need evidence that Facebook is entering a new business" to raise those forecasts, Mr. Damodaran says. "Nothing that Facebook has said in their quarterly reports leads me to believe that's changed."

BlackBerry Met With Facebook Last Week on Potential Bid

<https://www.wsj.com/articles/SB10001424052702304655104579165781081533064>

Updated Oct. 29, 2013 6:00 pm ET

- BlackBerry executives flew to California to meet with Facebook last week to gauge its interest in a potential bid for the struggling smartphone-maker,
- It remains unclear whether Facebook is interested in placing a bid. Spokesmen for both companies declined to comment.
- The meeting could reignite speculation that Facebook is building its own smartphone. As the social network has increasingly catered to mobile users in recent years, with nearly half of its sales generated from ads shown on wireless devices, it has also grown dependent on hardware makers such as [Apple](#) Inc. and [Samsung Electronics](#) Co. to distribute its software and collect user data.
- The social network could attempt to build its own phone using BlackBerry's assets and patents, but Facebook CEO [Mark Zuckerberg](#) has publicly denied wanting to build his own phone, [calling this the "wrong strategy."](#)

Facebook Should Avoid Snap Decisions

<https://www.wsj.com/articles/SB10001424052702303559504579198032940638774>

Updated Nov. 14, 2013 9:11 pm ET

- News the social-media giant offered nearly \$3 billion in cash for photo-messaging service Snapchat prompted renewed cries of a burgeoning bubble in mobile-focused social media. How could Snapchat, which has no revenue, pass up such a sum?
- The social-media giant had \$9.3 billion in cash at the end of the third quarter. Its apparent willingness to fork over nearly a third of that for a two-year-old startup without a business model suggests Facebook itself is getting caught up in the euphoria.
- That should be a red flag to investors. Snapchat, a mobile app that lets users send photos that disappear seconds after being viewed, has some obvious characteristics that make it appealing to Facebook. It is a mobile-focused platform and has had strong usage growth, particularly among teens.
- That popularity is possibly telling. Facebook said last month that fewer teens were using its own service on a daily basis. That revelation spooked investors and makes the Snapchat offer look like a play to win them back.
- Even if it isn't, there are other concerns. Like Facebook and [Twitter](#), Snapchat also benefits from network effects—the principle that a platform becomes more valuable to users as more people join. But the fact no information is stored on Snapchat makes it almost the antithesis of Facebook, whose years of stored posts, photos and personal information keep users coming back. The same can be said of Instagram, which Facebook bought for \$1 billion.

Facebook Added to S&P 500

<https://www.wsj.com/articles/SB10001424052702304477704579252674197379670>

Dec. 11, 2013 5:50 pm ET

- The move means mutual and exchange-traded funds that track the widely watched S&P 500 index will have to add Facebook to their holdings. Roughly \$1.6 trillion were linked to the index at the end of last year, according to S&P Dow Jones Indices. Facebook is up 86% this year through the close of Wednesday's regular trading.

Facebook's Video Ads Risk Alienating Users

<https://www.wsj.com/articles/SB10001424052702304403804579263371125671670>

Updated Dec. 17, 2013 8:12 pm ET

- Facebook said its first video ad, a teaser for the coming sci-fi film "Divergent," would begin appearing Thursday, marking an effort by the world's largest social network to grab a slice of the \$66 billion annual U.S. TV advertising pie.
- The video ads, which the company says are still being tested to a limited number of users, will start playing automatically as users scroll through their news feed, the central real estate in Facebook's desktop and mobile platforms. They will initially play without sound; users can stop the ad by scrolling past it in the news feed.
- In a November survey of 735 Facebook users by global marketing consultancy Analytic Partners, 83% of users said they would find video ads "intrusive" and would likely "ignore" them.
- Video advertising isn't available to all advertisers, and Facebook didn't say when it would expand the offering.
- Many advertisers will be priced out of the market. Facebook is charging around \$2 million per day for the ability to reach its 140 million U.S. users aged 18 to 54, according to media buyers. Some media buyers said they found the price surprisingly high.

- Media buyers said advertisers would be more interested in video ads if Facebook allowed them to better target specific sets of users. Facebook currently allows advertisers to target video ads by gender and age, but not by interests, as it does for traditional ads.
- Ad experts say it is no surprise that a movie studio was the first video advertiser, since consumers typically are more interested in movie trailers than ads for more mundane products like soup or toilet paper.

Deal With It: Mobile Ads Are Here to Stay

<https://www.wsj.com/articles/SB10001424052702304773104579266382749451364>

Dec. 18, 2013 4:47 pm ET

- It turns out we don't hate mobile ads. Surprisingly, we mostly tolerate them. We may find them annoying—or more accurately, we may say that we find them annoying—but apparently they're not annoying enough to prompt us to flee Google, Facebook and other ad-supported Web services.
- This explains the boom: A new report by the research firm eMarketer finds that mobile ad spending doubled in 2013 to \$9.6 billion, and it is set to skyrocket over the next few years, eclipsing the money spent on desktop ads by 2016. Mobile ads now account for all the growth in the digital ad industry.
- And this is just the beginning. I suspect that years from now, we'll look back at 2013 as a turning point in the history of the mobile Web. A dark, money-sapping cloud of uncertainty had been hanging over the industry. Then, suddenly, it cleared up. It now looks like Web companies will be fine—better than fine—as we ditch our PCs for phones.
- But I don't buy that argument. The evidence that mobile ads aren't causing rebellion is pretty clear. Facebook and Google, the Web's dominant ad companies, cranked up the volume of mobile ads throughout 2013, and neither their traffic nor user engagement materially suffered as a consequence.
- Like all Web companies, Facebook breaks its user base into lots of experimental sets, groups that are served various new features, and whose user behavior is obsessively monitored.
- According to people I've chatted with at the company, some users were randomly placed into no-ad sets, meaning they aren't served commercial messages anywhere they go on Facebook (lucky them). Think of them as the control group. Now, another group of people will be placed in the test of these new video ads. Then it is just a matter of science: Facebook will compare the behavior of the test group to the no-ad control group. If the ads prompt a significant negative shift in usage—people in the test group begin to use Facebook far less than those in the control, for instance—the company will go back to the drawing board.
- Here's another way to think about the plan: Like a chef boiling a frog, Facebook will move gingerly in expanding how ads show up on mobile devices. It knows that there is a breaking point somewhere; if it turns up the heat too fast, if there are suddenly too many very flashy ads, we'll all jump out of the pot. But if it turns up the heat slowly, almost imperceptibly, and constantly watches for any signs of discomfort along the way, we might not notice we're being cooked alive in ads. Or, if we do notice, we might not care.

Facebook Snaps Up Branch, Potluck

<https://www.wsj.com/articles/SB10001424052702304549504579318583672821614>

Updated Jan. 14, 2014 1:16 pm ET

- Facebook Inc. has snapped up link-sharing services Branch and Potluck, the latest move by the social network to develop more offerings based around real-time conversations.
- The acquisition was earlier [reported by the Verge](#), which pegged the deal's value at about \$15 million.
- A representative for Facebook said the "acqui-hire was intended as a way to bring Branch's workers on board at Facebook," but she declined to comment on the deal value.

Facebook Profit Surges as Ad Sales Grow

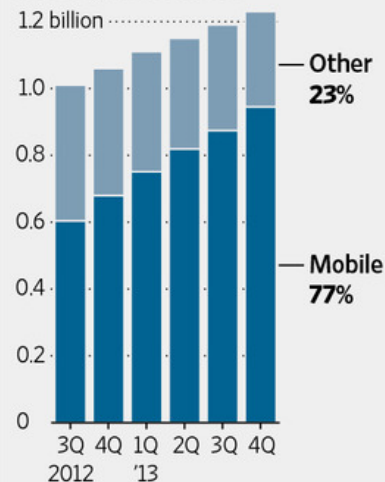
<https://www.wsj.com/articles/SB10001424052702304428004579350971373442410>

Updated Jan. 30, 2014 2:51 pm ET

Social Shift

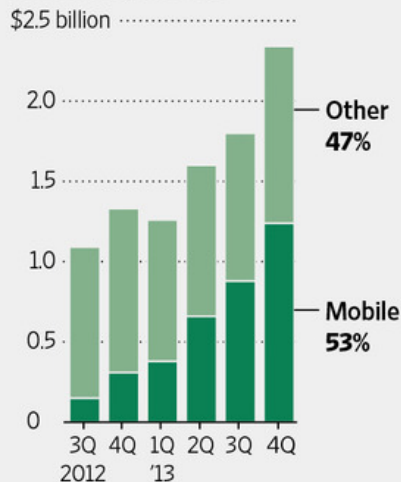
As mobile users increase, Facebook is selling more mobile ads.

Monthly active users



Source: the company

Advertising revenue



The Wall Street Journal

- Market researcher eMarketer said Facebook grabbed 18% of the \$16.7 billion global mobile-advertising market last year, second only to Google Inc.'s 53%.
- A recent study by [Adobe Systems](#) Inc., which tracks Facebook's ad performance and use across desktop and mobile devices, confirmed Facebook's dominance, but also offered some cautionary data.
 - According to Adobe, advertisers on average paid 29% more each time a user clicked on a Facebook ad in 2013, compared with 2012. Facebook also generated the most "revenue per visit" when Facebook users clicked over to a retail site from the social network. But Facebook lost ground by that measure to Pinterest Inc. and Yahoo Inc.'s Tumblr unit, two social sites that feature images.
 - There might be a "growth slowdown for Facebook coming in 2014, unless they do some things to refresh targeting, tools and visibility," said Tamara Gaffney, a senior marketing manager for Adobe Digital Index.
- Facebook executives didn't address the network's struggles to attract new teen users, who according to surveys prefer mobile messaging apps like Snapchat and Whatsapp. In October, Facebook said it had seen a slight decline in use by young teens, raising questions about whether the social network would remain popular well into the future.
- Most surveys suggest Facebook is still the most popular social network and mobile app among teens, but they differ on whether Facebook's share of the teen market is growing, shrinking or static.

Facebook Mobilizes Its Ad Army

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Jan. 30, 2014 5:17 pm ET

- The two salient points exciting investors: Facebook has tremendous pricing power among advertisers, and it isn't about to run out of new ad slots to sell them.
- The danger is that the latest gains are adding to an already steep valuation. Facebook trades at 49.3 times 2014 earnings estimates, compared with 21.8 times for Google, which has more than double the mobile-ad market share.

- That premium is based on the notion that Facebook is rapidly closing the gap with Google. The social network accounted for 18.44% of the world-wide mobile ad market in 2013, up from 5.35% in 2012, eMarketer estimates. That compares with a climb to 53.17% from 52.35% for Google.
- Underscoring this, the improvement came as total ad impressions at Facebook fell 8% year over year in the fourth quarter. That encompassed both impressions for desktop and mobile. While the latter is growing faster, it has less room for ads. But the average effective price per ad at Facebook was up a whopping 92% versus the prior year.
- Yet Facebook emphasized its commitment to creating new platforms aside from its core news feed to fuel user engagement and eventually open up new ad slots. Its Messenger app and Instagram are examples. Facebook followed this up Thursday with the announcement of a new app, Paper.
 - This app will let users explore and share stories from "well-known publications," as well as their own news feeds. This could draw users away from their news feeds. But it also shows Facebook is willing to try to usurp its main platform itself rather than wait for rivals to do so—creating more space for new ads.
 - Like other Facebook efforts, Paper will launch without ads. But once it has a significant user base, the company will likely begin gradually testing ads as it has done with Instagram and auto-play video ads.

Facebook Uses Data to Charm Advertisers

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Jan. 30, 2014 9:17 pm ET

- With sluggish advertising numbers following its 2012 initial public offering, Facebook went to work improving its ad offerings. It also invested significant resources into proving to marketers that the money they spend on the social network comes back in higher sales.
- One little-discussed factor in those strong numbers: Facebook's creative and sometimes tumultuous efforts behind the scenes to prove to the advertising industry that social networks can stand toe-to-toe with Google when it comes to return on investment.
- Last year, Facebook refined its tools that allow advertisers to target users based not only on what they share with Facebook in their profiles and posts, but what those same people do with their wallets in brick and mortar stores.
 - Facebook combined its own information with other insights from data vendors like Datalogix Inc., Acxiom Inc. and Alliance Data Systems Corp. to create more detailed profiles of its users, allowing advertisers to target them more precisely.
- Facebook also created what amount to digital science experiments, complete with control groups, to see how users responded to Facebook ads. With partners like Datalogix, Facebook could track whether those users bought products at the supermarket that they had been shown on Facebook.
- The information Facebook shares with its third-party partners is anonymous, the company says, to protect the privacy of users. The company uses a process by which the data is encrypted, so Facebook can't see the detailed information it gets from partners and vice versa.
- Facebook still has a long way to go to catch up to Google, though. According to eMarketer, Facebook accounted for about 6% of the \$117.6 billion global ad market in 2013, compared with Google's 31.5%. Facebook is growing faster in mobile advertising, with an 18% share, up from 5% in 2012.
- Advertisers use Facebook and Google for different reasons. Google is effective when people search for things they already want to buy and then see ads for relevant products. Facebook is better for educating consumers about products they might want to buy in the future.
- Facebook's advertising product is still a work in progress. Wayfair's Mr. Shah says his company still sees a higher return on Google ads, for example. And Facebook has yet to implement tools that allow small and medium-size businesses to track their customers in the same way.