Facebook

**Company Overview**

Facebook is the world’s largest social network. Launched in February 2004 and headquarted in Menlo Park, California, it provides a place for connection via sharing photos, videos, and text updates. It was founded by Mark Zuckerberg with his college roommates and fellow Harvard University student Eduardo Saverin. The original website was initially limited to Harvard students only, but quickly expanded to additional colleges in the Boston area, other Ivy League schools, then eventually just about every University in North America, where up until now one out of every seven people on earth is on Facebook. However, in theory, Facebook actually started out on October 23, 2003 when Zuckerberg launched Facemash.com which allowed other Harvard students to compare to student pictures side-by-side to let them decide who was “hot” and who was “not.” Zuckerberg was also working on another site called HarvardConnection.com for Cameron Winklevoss, Tyler Winklevoss and Divya Narendra who later sued him for allegedly stealing their idea with the creation of Facebook. Shortly after the launch of Facebook, the buzz grew and eventually got discovered by Sean Parker, the former co-founder of Napster, who began to advise informally. Facebook’s domination continued to grow. In August 2009, Facebook acquired the real-time news aggregator site FriendFeed, and in April 2012, they acquired Instagram for approximately $1 billion dollars.

Facebook’s mission is to give people the power to share and make the world more open and connected. People use Facebook to stay connected with friends and family, to discover what’s going on in the world, and to share and express what matters to them. Today, Facebook is worth more than $200 billion, it is worth more than much older tech giants IBM, Oracle and Intel as well as brand name icons Coca-Cola, AT&T and Walt Disney.

**Company Businesses/Specialties**

New media advertising employs new technology to reach customers, specifically on the Internet While print, radio and television ads still exist, traditional advertising’s influence has decreased, forcing the marketing industry to consider new media alternatives. Consumers are gradually on the Internet to communicate, receive news, and purchase products, so a computer screen may be the most efficient way to reach this technology savvy audience. New media is interactive and Internet driven, consisting of websites, blogs, vlogs (video blogs), social networking, etc.

Social media, a huge component of new media, consists of channels set up to form online communities by users communicating and spreading information widely and instantly. By definition then, Facebook is a new media outlet in itself. Facebook has the power to advertise partners or brands into better social media communicators and gets Facebook members to start recommending and sharing advertisers just as much as they share the latest cat video. At first, approaches were clumsy. In 2007, Facebook introduced Beacon, the advertising platform that informed all your friends when you made potentially embarrassing purchases from retail partners, and was eventually closed. Since then, Facebook seems satisfied with cashing in on its huge user base via display advertising. Now, however, Facebook’s advertising strategy is becoming clear and unexpected. Like Google’s, the strategy is not only to improve its network and experience, but improve the advertising also. The interesting part is the way Facebook plans to improve it: by making their brand Pages better. Even though Facebook does not make money off the Pages set up by other advertisers, marketers buy ads on Facebook to promote their Pages in the first place. Facebook is putting pressure on advertisers to create better content for their brand Pages. If they do, those brands will have a better chance of winning over friends of fans either by advertising or by creating something viral. Facebook has created a cycle that has the potential to redefine the way we interact with brands.

In Februray 2011, more than a third of all online-display ads in the U.S. appeared on Facebook, according to comScore Inc. That’s more than three times as many as its closest rival, Yahoo Inc., had. But Facebook does not even capture a third of the online-ad budgets of major marketers, partially because their ad rates are relatively low and also because of its hard navigation system for buying ads.

In 2009, the emergence of more than a dozen firms, including Blinq Media LLC, Kenshoo Ltd. and Webtrends Inc., followed a move to Facebook to start opening direct access to its internal ad systems to select outsiders. The Facebook agencies sell marketers the ability to manage the buying of thousands of different versions of their ads, with varying text and images. They also facilitate the buying of ads targeted at certain groups of consumers, based on their ages, locations, interests and other factors. The agencies also offer tools that track the performance of an ad campaign, such as how many users click on the ads or become fans of the brand on Facebook.

Facebook welcomed these agencies because they bring in new customers and can handle large-scale campaigns. While Facebook’s own ad-sales team sells premium ads directly to big marketers, much of its inventory is sold through a self-service tool built by the website. The tool allows advertisers to manually insert text and images, select target features, such as the location, age and interests of users they want to reach.

**Involvement with New Media Advertising**

Technology from Blinq Media helped restaurant chain Buffalo Wild Wings identify groups of likely customers beyond its ordinary target audience of college football fans who respond to its campaign. That tripled the campaign’s return on investment, said David Rollo, senior vice president of digital and social strategy at 22squared, an agency that brought in Blinq for help.

Some of the smaller agencies ended up selling their services to larger ones. Blinq Media has attracted businesses from firms including havas Digital, Publicis Groupe SA’s Moxie Interactive and privately held 22squared. Some large ad companies, however, say they would like their direct access to Facebook’s systems so that they can build ad-buying tools they might merge into their existing systems to better evaluate how ads on other websites compare with Facebook ads.

Brands already incorporate social media photos from consumers into their next big advertising campaigns. Now, there is a new way for them to promote those photos in Facebook campaigns too. Social marketing platform Olapic is launching a new ad format that includes images pulled from Instagram, Twitter, Vine or YouTube, called Predictive Consumer Generated Ads because its technology navigates through social media for pictures that are expected to perform the best when sponsored on Facebook.

This new technology uses an algorithm to help brands choose photos that are most likely to entice users to click on the ad. More than 100 brands, including West Elm, JetBlue and Lancôme, use the technology to find people talking about their brands. Olapic contacts each user directly for their permission before photos are placed in ads. The new social ads could grab the attention of retailers and e-commerce companies that use Facebook’s retargeting tools, which help serve ads based on products that people already have viewed online. However, this is an often aggressive tactic that advertisers use to increase sales by showing consumers the same product multiple times after they once clicked on it.

West Elm is one of the first brands to test the new format. The furniture company’s Facebook ads build on its ongoing social campaign called #MyWestElm, which curates images of products shared throughout social media. Each picture is then posted to a website with links to similar products on West Elm’s online store. So far, about 18,000 photos have been uploaded, generating 2 million unique monthly users. Forty percent of the retailer’s web pages now include such user-generated photos after West Elm started promoting them on the product pages on its website last year.

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