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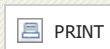
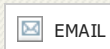
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FEB 02, 2012, 4:08 PM

Facebook's First Move: Mobile Ads?



ARTICLE

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By Quentin Fottrell



Will Facebook turn smartphone screens into billboards?

The company's initial public offering filing on Wednesday stated that while the company doesn't currently show ads or directly generate "meaningful" revenue from users accessing Facebook with their smartphones and mobile products, it believes there may be "potential future monetization opportunities such as the inclusion of sponsored stories in users' mobile News Feeds." Confused by the technical jargon? "Sponsored stories," analysts say, refer to ads. "I'd expect Facebook to launch an ad network that includes mobile ad formats sometime in 2012," says Rick Summer, senior equity analyst with Morningstar.

Indeed, analysts say the social network can't afford to ignore the ad potential of mobile users, especially with a new band of shareholders eager to see a return on their investment. "Facebook is being hyped as one of the biggest deals ever in the IPO market," says Rick Singer, CEO of GreatApps.com. "They will need to maximize revenue and profit." As it is, around half of Facebook's 845 million users – or 425 million – update their status on their phone. "Ads will be everywhere as they will have committed themselves to actually having to make money for shareholders," says Robert Passikoff, the founder of Brand Keys marketing firm. "Why would they leave any space empty?"

Others say there is one very good reason why Facebook could hold off on bombarding users with ads: goodwill. Facebook may wait before giving mobile users ads and/or do so sparingly, tech-pros say. Social psychologist and entrepreneur Matt Wallaert says the company builds loyalty by having an ad-free app. Around 85% of Facebook's \$3.71 billion 2011 revenue came from ads. "If anything, the 85%/15% split is going to lean farther towards the 15% that is made on other fees, like what they charge Zynga," he says. Zynga – which launched its own IPO last year – operates popular games on Facebook like Farmville and Words With Friends.

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Consumers also have less tolerance for ads on their phones, experts say. "The phone is a more intimate device," says Brent Hieggelke, chief marketing officer at mobile messaging company Urban Airship. "It's not just a phone to me, it's my command center, my digital life on the go." But he doesn't rule ads out completely. Facebook will be "subtle and clever" by offering a service to users harnessing the power of GPS technology, Hieggelke says. "If you're in Portland, Oregon rather than New York, for example, Facebook users might welcome restaurant recommendations in the area or music stores based on their previous purchases."

In the meantime, analysts say Facebook mobile faces other challenges. Facebook video – launched last year in partnership with Skype – could be incorporated onto Facebook apps on iPhone and Android phones, says Todd Day, industry analyst for wireless and mobile communications at Frost & Sullivan. "This would allow Facebook friends to contact each other via video instead of calling on the phone or sending a text message." Longer term, Summer says Facebook may not want to be locked out of the mobile phone market itself: "Facebook's two largest smartphone operating systems are supported by companies that are not exactly friendly with Facebook: Google and Apple."

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Jason wrote:

The weird thing is, I had an ad pop up while looking at facebook today on my iphone. It just popped up out of nowhere. It was a video ad. Not sure if it was designed to pop up after a certain amount of time looking at the app. Either way, the app won't last much longer on my phone if it keeps doing that..



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