



Cambridge Analytica, the Facebook Fallout, and What It Means

By Mike C. Gray, APR, PCM

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Facebook's admission that approximately 87 million users in the United States may have had their data stolen by third parties is a significant blow to the revered social media platform. Coupled with recent changes to their algorithms for business pages, many company leaders are wondering if the platform has run its course. This white paper is designed for real estate developers, owners, and operators and provides answers as to the current state of Facebook and where things are headed.

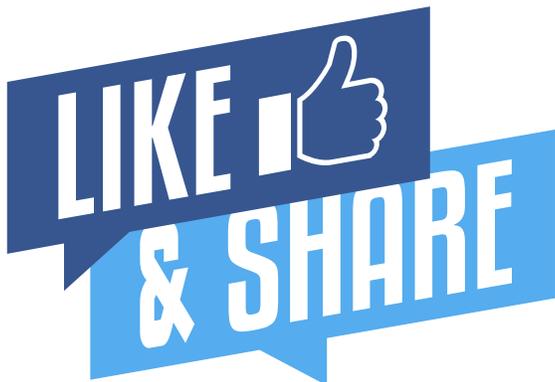
The Trouble Began with the News Feed...

Mark Zuckerberg's announcement on January 11, 2018 that Facebook would be prioritizing content from friends rather than brands did not come as a major surprise to industry analysts but did send shockwaves through the marketing world. Zuckerberg was saying that companies would have to work harder to reach their target audience. In other words, they would have to pay more money in advertising dollars. Tech investors have speculated for years that Facebook would need more revenue to keep its current valuation. This is one way to do that.

“As we roll this out, you’ll see less public content like posts from businesses, brands, and media. And the public content you see more will be held to the same standard—it should encourage meaningful interactions between people.”

Mark Zuckerberg, CEO of Facebook

The challenge for businesses is that the platform works. Facebook has been able to grow an audience and that audience's information is used to develop profiles of individuals. Advertising tools rolled out over the past two years, such as lead generation and micro-targeting, have a strong ROI. Therefore, if businesses want to reach a specific audience then Facebook is the place to do it. Home builders, for example, can target specific income brackets of users for ads and whether someone is likely to move soon. That is incredibly useful information which essentially pre-qualifies them if they ask for more information about a product.



The problem with all the uproar from the marketing world is that this algorithm change is not new. Since 2014, Facebook has slowly been making these changes and announcing them on quarterly calls or mass communications. Users have always wanted to see more content from friends than from businesses. However, this change was clearly just the beginning of Facebook's troubles.

Cambridge Analytica and the Election of 2016

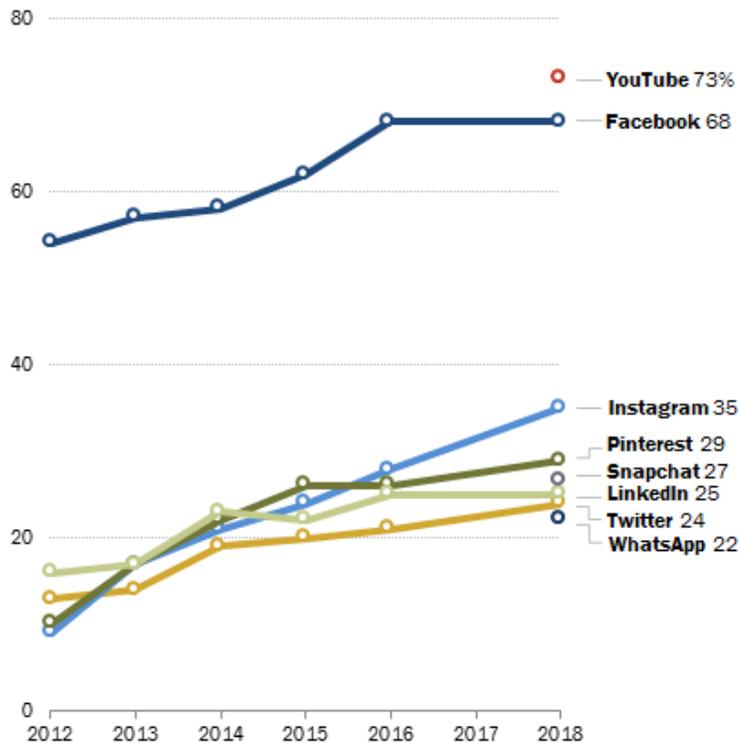
Cambridge Analytica, the political data firm hired by both the Cruz and Trump campaigns, has been the focus of a lot of news lately. When The New York Times first published the story about how the firm stole private information from at least 50 million users and used that data to target voters in the 2016 election, the media erupted in a fire-storm. Congressional leaders have asked Zuckerberg to appear before House and Senate committees (he is in Washington this week), talking heads have demanded that Facebook be regulated, and even well-known business leaders like Elon Musk have deleted some of their business pages.

There is no doubt that Facebook users should be outraged that a third-party firm was able to gain access to private data. However, as marketers, we have to look beyond the headlines and see what is actually going on.



Majority of Americans now use Facebook, YouTube

% of U.S. adults who say they use the following social media sites online or on their cellphone



Note: Pre-2018 telephone poll data is not available for YouTube, Snapchat or WhatsApp.
Source: Survey conducted Jan. 3-10, 2018. Trend data from previous Pew Research Center surveys.

The Data

As of right now, the data indicates that there is not much movement. While it may be too soon to tell, the first quarter of 2018 was flat for Facebook user growth in the U.S. with 68 percent of the adult population saying they are users. This number really has not budged since 2016, according to Pew Research. The platforms that are gaining the most traction are Instagram (also owned by Facebook), Pinterest, and Snapchat.

Here are a few data points to think on:

- 59% of U.S. adults say it would not be hard to give up a social media platform;
- YouTube is technically the leading social media platform with 73% of U.S. adults registered as Users (those with a Google account);
- Snapchat is not gaining ground among the 25 to 29 or 30 to 49 age demographics; and
- Instagram is growing among the 50+ demographic by 20%.

What's Next

We are continuing to monitor this controversy with Facebook very closely, as well as broader shifts in social media usage. We will also be watching the numbers to see if there are any significant drops in users over the next quarter. That being said, we don't expect there to be a significant enough change to warrant businesses making dramatic changes to their social media efforts. As the population ages and new platforms become more mature, strategies will need to evolve. Video, for example, will continue to be a prominent source for information for most Americans as long as it is short and sweet or extremely engaging.

The question remains: Now that we have plugged in, can we unplug?