

FACEBOOK ADVERTISING 2018

**eMarketer Tackles Big Questions on
Usage, Privacy and Ad Targeting in Wake
of Cambridge Analytica**

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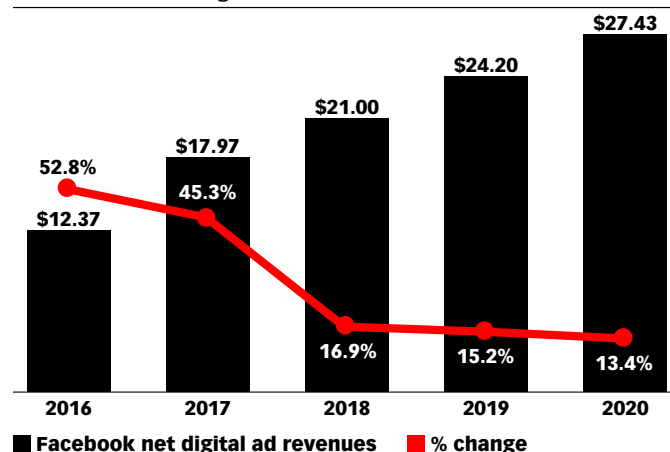
FACEBOOK ADVERTISING 2018: EMARKETER TACKLES BIG QUESTIONS ABOUT USAGE, PRIVACY AND AD TARGETING IN THE WAKE OF CAMBRIDGE ANALYTICA

Facebook, the second-largest digital publisher in the world behind Google, is an advertiser's dream: a combination of mass reach and extraordinarily effective targeting. But the Cambridge Analytica revelations and subsequent congressional hearings have surfaced simmering concerns about user engagement, data privacy and ad targeting. What should marketers know about the changes ahead?

- The #DeleteFacebook movement hasn't led to mass user defections. However, younger users were already starting to leave even before the Cambridge Analytica revelations in March, and privacy concerns may lead some Gen Xers and baby boomers to reconsider their usage patterns.
- Key metrics of daily active users (DAUs) and time spent were starting to show weakness even before the news broke. Anecdotal evidence of lowered engagement is gaining data support.
- Ad spending growth on Facebook will slow markedly this year, but that has less to do with Cambridge Analytica and more to do with larger ad-market dynamics. We expect marketers will continue to advertise on Facebook.
- However, changes to Facebook's business terms and ad targeting products will affect marketers' plans and will also renew the focus on first-party data.
- Third-party measurement will come under more scrutiny, as will the apps that connect to Facebook.
- Marketers should use this time to take stock of their data privacy practices, since any discussion of regulations could affect not only Facebook but their own broader marketing efforts.

WHAT'S IN THIS REPORT? This report shines a spotlight on Facebook usage, data practices and the ad targeting changes that have been made since the Cambridge Analytica news in March.

US Facebook Net Digital Ad Revenues, 2016-2020
billions and % change



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on the platform; net ad revenues after company pays traffic acquisition costs (TAC) to partner sites; includes Instagram advertising revenues
Source: company reports; eMarketer, March 2018

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KEY STAT: In a forecast made before the Cambridge Analytica story broke, we estimated that Facebook's US ad revenues will grow 16.9% this year, to \$21.00 billion.

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WILL USERS #DELETEFACEBOOK? YES, SOME WILL.

eMarketer Viewpoint: Some will (and some already have). But not necessarily as a result of the current data privacy discussions.

Facebook has been embroiled in controversy over its privacy practices and data policies since March, when it was revealed that an app developer gathered personal information about millions of users and subsequently provided that data to Cambridge Analytica, a consultancy involved in the Trump presidential campaign. As of April, Facebook has said the number of affected users was as high as 87 million—the vast majority of them in the US.

But will people #DeleteFacebook, the hashtag rallying cry that made the rounds on social media?

It's not likely that the current privacy debate will trigger a mass departure. And Facebook is so large that it would take a lot of user defections to make a difference anyway. We forecast that it had 167.9 million monthly users in the US in 2017, representing 61.1% of internet users and 86.5% of social network users. That's well ahead of other social platforms, such as Snapchat (79.2 million US users in 2017) or Twitter (55.0 million). Facebook's Instagram had an estimated 92.6 million US users last year.

"Facebook is a utility, and [consumers] get so much value out of its suite of apps. It's all built on connections, and I think people will be hesitant to let go of that," said Katherine Patton, director of paid social at digital agency iProspect.

But even if #DeleteFacebook doesn't happen, that doesn't mean other things won't cause some users to change their behavior. There is definite weakness in Facebook usage that is becoming more noticeable, both in survey results and in Facebook's own statements. That weakness stems from a variety of factors, including social media fatigue, concerns over fake news and declining usage among young people.

Facebook has taken steps to address these problems, such as redesigning its algorithm earlier this year to favor content from friends and family over content from publishers and brands, and making it harder for fake news to spread.

However, a memo written in June 2016 by Facebook executive Andrew "Boz" Bosworth shows just how far the company may have been willing to go to drive usage growth in recent years.

"We connect people. Period. That's why all the work we do in growth is justified. All the questionable contact importing practices. All the subtle language that helps people stay searchable by friends. All of the work we do to bring more communication in," Bosworth wrote.

After BuzzFeed published the memo in March 2018, Facebook founder, chairman and CEO Mark Zuckerberg gave a statement to the digital publisher, saying he didn't agree with the sentiment: "We recognize that connecting people isn't enough by itself. We also need to work to bring people closer together. We changed our whole mission and company focus to reflect this last year."

Now, marketers will need to focus on what happens in the coming months.

"I don't think it's a news cycle that will pass quickly and that people will forget about," said Lauren Sanborn, director of social media at Schafer Condon Carter, an ad agency. "People are genuinely concerned, and Facebook has to make changes in order to stay in the good graces of its users."

EMARKETER'S USAGE FORECASTS REMAIN UNCHANGED, FOR NOW

Facebook has already essentially maxed out its penetration in the US. In a forecast published before the Cambridge Analytica scandal, we predicted that Facebook's number of monthly users will rise by a couple million per year between now and 2022, but the percentage of internet users using it will decline slightly, from 61.1% last year to 60.2% in 2022. The percentage of social network users using Facebook will also decline, from 86.5% to 81.6%.

US Facebook Users and Penetration, 2017-2022

	2017	2018	2019	2020	2021	2022
Facebook users (millions)	167.9	169.5	171.7	173.7	175.7	177.5
—% change	1.0%	0.9%	1.3%	1.2%	1.2%	1.0%
—% of social network users	86.5%	85.1%	84.2%	83.3%	82.5%	81.6%
—% of internet users	61.1%	60.6%	60.5%	60.3%	60.3%	60.2%
—% of population	51.4%	51.5%	51.7%	51.9%	52.1%	52.3%

Note: internet users of any age who access their Facebook account via any device at least once per month

Source: eMarketer, Feb 2018

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The small amount of growth that Facebook will achieve in the US this year will come mainly from gains in the 55-and-older demographic. The reason Facebook's share of internet users and social network users is declining is because most growth in those two groups is coming from younger people, among whom Facebook is seeing little growth (and in some cases, declines; see the next section).

(eMarketer's estimates differ from Facebook's figures due to our methodology of factoring out duplicate, spam and nonhuman accounts. Facebook reported in January 2018 that it had 239 million users in North America and 2.13 billion users worldwide in Q4 2017.)

FACEBOOK'S YOUTH PROBLEM

Young people are leaving Facebook, but it's not due to concerns about privacy.

In January 2018, we forecasted that Facebook would lose 2 million US users younger than 25 this year, as these younger users migrate to other platforms like Snapchat and Instagram.

After falling 9.9% in 2017, the number of 12-to-17-year-old US Facebook users will be just 11.5 million this year, down another 5.6%. By comparison, the number of users ages 18 to 24 will drop by 5.8% this year to 20.5 million. That represents a faster rate of decline than in 2017, when Facebook shed an estimated 4.7% of users in this age group.

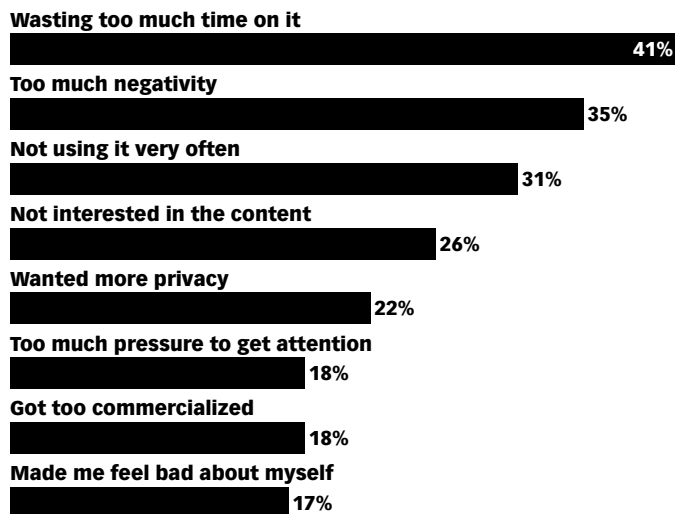
The reason for the exodus from Facebook has more to do with young adults' social usage behaviors than with a desire for more privacy or concern about Facebook's use of personal data.

Among the US social media users ages 18 to 24 who were surveyed by Origin for PR firm Hill Holliday in December 2017, only 22% said they considered quitting

any form of social media due to privacy concerns. Far more common reasons were feeling that they were wasting time (cited by 41%) or seeing too much negativity on the platforms (35%).

Reasons that US Young Adult* Social Media Users Consider Quitting Social Media, Dec 2017

% of respondents



Note: *ages 18-24

Source: Hill Holliday, "Meet Gen Z: The Social Generation" conducted by Origin, March 5, 2018

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Young people understand that an exchange of information is part and parcel of using these services. They aren't leaving due to concerns over that.

GEN X AND BOOMER USERS MAY BE MORE AT RISK

The people more at risk for departing Facebook are Gen Xers and baby boomers. These individuals tend to be more guarded about their privacy and more likely to be comfortable reverting to other forms of communication.

This prospect should be a much bigger concern to marketers, both because of the sheer size of the Gen X/boomer population on Facebook as well as their purchasing power.

Combined, these two generations will represent 45.1% of Facebook's US user base this year. That's a far greater percentage than those under 25, who we project will make up just 20.1% this year.

In fact, usage among boomers (who we define as people born between 1946 and 1964) is already forecast to drop

0.9% this year, to 31.9 million. Among Gen X (those born between 1965 and 1980), usage will rise 0.2%, to 44.6 million.

A study of internet users' attitudes toward how companies collect and use personal information offers data to support this perspective. The study, conducted by McAfee in November 2017, found that younger US internet users were more likely to be confident that their information was under their control, and less likely than older age groups to feel a lack of control.

DAUS AND TIME SPENT ARE SHOWING SOME WEAKNESS

Our usage forecasts cover monthly behavior, where changes can take longer to show up. Daily usage of Facebook, studied by several third parties and also disclosed by Facebook itself, remains strong from a macro perspective, but signs of weakness are emerging.

- Facebook reported in its Q4 2017 earnings that the number of DAUs in North America fell by 1 million quarter over quarter to 184 million, a drop Zuckerberg attributed to unspecified changes the company made to improve the “quality” of the News Feed. However, an impressive 77% of monthly active users (MAUs) still used Facebook daily during the quarter.
- Some 74% of US adult Facebook users reported using it about once a day or more, according to a January 2018 Pew Research Center study. However, that was slightly less than the 76% who used it daily as of March 2016.

In a study done after Cambridge Analytica, 51% of US internet users surveyed by Reuters and Ipsos said they used Facebook continuously throughout the day.

Frequency with Which US Internet Users Use Select Social Media Platforms, March 2018

% of respondents

	Facebook	Google+	Instagram	Snapchat	Twitter	Pinterest	Tumblr
Continuously throughout the day	51%	20%	18%	13%	12%	8%	3%
Once a day	15%	10%	9%	6%	7%	8%	3%
A few times a week	8%	10%	6%	5%	6%	10%	3%
Once a week	4%	4%	3%	3%	4%	4%	2%
A few times a month	3%	5%	4%	3%	4%	7%	2%
Once a month	1%	2%	2%	2%	3%	4%	2%
Less than once a month	3%	6%	4%	3%	5%	8%	4%
Don't use	14%	43%	53%	65%	59%	52%	79%

Note: n=2,237 ages 18+; numbers may not add up to 100% due to rounding
Source: Thomson Reuters, "Facebook Poll" conducted by Ipsos, March 25, 2018

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Any substantial change in these data points in future surveys would be a cause for greater concern.

Another notable development is that Facebook has started to downplay time spent as an important metric.

The company said in January 2018, during its Q4 2017 earnings call, that it had made changes to the platform that reduced total time spent by its worldwide users by 50 million hours per day. Specifically, it said it updated video recommendations to feature content that would drive interaction and engagement, rather than simply passive watching.

“Over the long term, even if time spent goes down, if people are spending more time on Facebook actually building relationships with people they care about, then that’s going to build a stronger community and build a stronger business,” Zuckerberg said in an interview with Vox in April 2018.

Cowen and Company’s consumer tracking study, published in April 2018, found that daily time spent on Facebook among US social media users stood at 53 minutes in Q1 2018, down from 56 minutes in Q4 2017, 54 minutes and 55 minutes in Q2 and Q3, and down from 58 minutes in Q1 of last year.

Studies that ask users to compare the amount of time they spend on Facebook with previous usage levels also show some weakness.

In March 2018, almost a third of respondents to a poll by investment bank Robert W. Baird & Co. said they were using Facebook either the same or more often compared

with a few months ago. That was significantly lower than the 43% who had the same response in Q1 2017.

To be fair, other social platforms that Baird studied, such as Snapchat and Facebook Messenger, also saw declines over the same time period, though they were not as substantial. Also, the study was conducted around the time of Cambridge Analytica, which may have affected some respondents' willingness to respond positively about their Facebook usage.

ENGAGEMENT IS ALSO A QUESTION

Anecdotal reports of Facebook fatigue had already been surfacing since the 2016 presidential election. Now, there is more survey evidence to support those anecdotes. User fatigue will have more of an impact on measures of daily usage and time spent than on eMarketer's monthly usage forecast.

RBC Capital Markets found in a December 2017 study that 20% of US Facebook users added content daily, down from 25% in November 2016. Facebook wasn't the only platform to see declines, however; Snapchat's daily content adder share fell from 36% to 30% in the same timeframe.

Bridge Ratings found in a January 2018 study that 20% of US internet users ages 13 and older "don't enjoy their time spent on social media," while 46% said they were "spending more time on it than they would like."

Facebook began to make changes in Q1 to improve the quality of people's experience on the platform, such as showing more content from friends and family in the News Feed and more videos that encourage interaction rather than passive viewing. eMarketer will be watching for whether those changes will turn around the signs of reduced engagement.

For more on Facebook usage and engagement, please see this report's [related PowerPoint](#), which contains additional charts and forecasts from eMarketer's PRO subscription service.

ARE ADVERTISERS LEAVING? NO.

eMarketer Viewpoint: A few companies have pulled back, but the majority remain committed to advertising on Facebook.

Some marketers, including Mozilla and the German financial services company Commerzbank AG, did pull ad spending in the weeks after Cambridge Analytica. But we believe the moves were likely sabre rattling, either in support of data privacy curbs or possibly in attempt to gain better pricing on future ad buys. Marketers should wait and see before making major decisions about their ad spending on Facebook.

During an April 2018 conference call with reporters, Zuckerberg was asked whether advertisers or users have left Facebook in recent weeks. He responded, "I don't think there has been any meaningful impact we've observed." COO Sheryl Sandberg followed up the next day, telling Bloomberg, "We've seen a few advertisers pause with us."

eMarketer's recent conversations with executives at ad agencies and ad technology firms have not turned up any examples of additional marketer defections. Most, like Jerry Lawrence, vice president of social and content marketing at SapientRazorfish, said they are counseling their clients to continue spending in the near term, even though they are watching trends very closely.

"If engagement on the platform goes down, if people who are important to advertisers are there less, if it becomes more difficult to reach them, those things will have an impact on how much gets spent there. But we don't see that yet," Lawrence said.

"Pulling out right now, that's more of a knee-jerk reaction," said David DeBetta, vice president of media at Rapp LA, a direct marketing agency. "In 30 or 60 days, people are going to realize that Facebook's still got an audience of 2 billion people. They're that necessary evil. They're so large that they are a cornerstone in almost every single digital marketing plan."

"We've been watching [ad performance] results on a daily basis, [and] we haven't seen much of a change in response rates," he added, while also acknowledging the need to keep watching that metric.

Marketing technology firms that provide tools to help clients advertise on Facebook also responded positively, though these firms have a more vested interest in expressing that support.

4C, which helps clients plan, buy and measure social media and TV advertising, told eMarketer that its clients increased their ad spending on Facebook in March. Week over week, spending was up 7.2% during the week of March 17, and up 14.5% in the week of March 24.

“While privacy and security are very serious issues that Facebook is rightly focusing on, as long as ROI [return on investment] is there, advertisers won’t stop investing in Facebook altogether,” said Aaron Goldman, 4C’s CMO.

Nanigans, which offers software to help performance advertisers manage advertising in social media and other digital platforms, was similarly positive. Facebook’s ad performance “is so strong and so good that nothing we see is changed by recent news,” said Ben Tregoe, senior vice president of revenue, business and corporate development. “I don’t think there’s really anything that [our clients] need to be particularly concerned about.”

Here’s Why Revenue Growth Is Slowing

Advertisers aren’t pulling out, but we still expect Facebook’s ad revenue growth to slow significantly this year.

Why? It has more to do with market share and ad pricing than it does with advertisers abandoning or cutting back spending on the platform for reasons related to Cambridge Analytica.

Facebook will generate \$21.00 billion in US digital ad revenues this year, up 16.9% from 2017 but a significantly slower growth rate compared with last year’s 45.3%. And Facebook’s share of the US digital ad market will dip to 19.6% this year, vs. last year’s 19.9%. This is the first time eMarketer has forecasted that Facebook’s share will decline.

Two factors underlie our rationale:

First, Facebook has in past years gained share from others, but ad budgets don’t constantly expand, and we’re starting to see new growth in other segments of the ad market, such as over-the-top (OTT) video and Amazon. As those players increase their shares, that leaves less room for Facebook’s to grow.

Second, Facebook ad prices are increasing, and we expect that advertisers will start to compare it to other premium media, which could have an effect on where they choose to put their dollars.

Additionally, Facebook’s revenues are so large that outside growth—like last year’s 45.3%—is likely not sustainable.

For more on ad spending trends in the US, including eMarketer’s updated forecasts, please see our April 2018 report, [“US Ad Spending: Facebook and Google to Capture Over One-Quarter of the Market.”](#)

WILL AD TARGETING OR MEASUREMENT CHANGE? YES.

eMarketer Viewpoint: Facebook has begun a top-to-bottom review of data practices on its platform, which is leading to major changes for advertisers.

Targeting isn't going away, but it is going to look very different by the end of 2018. The emphasis going forward will be on first-party data, of which Facebook still has massive amounts.

Among the changes announced in March and early April:

- Facebook is ending relationships with third-party data brokers that provided information for a targeting product known as Partner Categories.
- There will be several updates to the terms of agreement between marketers, their suppliers and Facebook regarding the use of data, effective May 25, 2018—the date the General Data Protection Regulation (GDPR) goes into effect in the EU. For example, marketers will need to prove they have user consent when using data such as email addresses for building Custom Audiences. There will also be changes to the ways marketers can use the Facebook pixel.
- Facebook will review the data practices of its measurement partners, which could lead to new restrictions.
- Facebook is placing reminders in users' News Feeds, telling them which apps have access to their data. It will also give them new tools to check and confirm their privacy settings, which could lead to less information being available for ad targeting.

For more on the GDPR, please see our February 2018 report, [“General Data Protection Regulation \(GDPR\): What Companies Need to Know Now.”](#)

Several executives who spoke with us said they believed that Facebook's move to end relationships with data brokers was a way to redirect attention away from its data practices and toward other parties.

“Facebook misappropriated how they shared data, but are now banning external data from coming into their platform,” said Jay Friedman, COO of Goodway Group. “This doesn't really make sense.”

And with relationships with many types of third-party companies coming under scrutiny, that can only benefit companies that have a wealth of first-party data ... like Facebook.

The message is clear: First-party data, whether Facebook's data or a marketer's own, will be safer.

THE END OF PARTNER CATEGORIES TARGETING

Facebook launched Partner Categories five years ago. The data, from third parties such as Acxiom, Epsilon, Experian and Oracle's Datalogix, provided a crucial missing piece: offline purchase information and data such as home or automobile ownership. For companies that didn't have their own first-party data about their customers, Partner Categories was a major advance.

“For automotive, Partner Categories has been a huge boom for us. It's literally the ability to identify people that are in-market [for a car],” said Facebook executive Kass Dawson in a 2014 eMarketer interview.

Steven Hartman, Kenshoo's vice president of global marketing, recently told eMarketer that Facebook is “one of the few media destinations that can support” clients' sophisticated targeting needs. “Many other publishers and programmatic solutions cannot match the set of available ad formats, targeting techniques, data and performance that Facebook delivers.”

Marketers who relied on Partner Categories will now need to adapt to other forms of targeting on Facebook or look elsewhere for the data.

“I think there's going to be a huge disruption [from the closure of Partner Categories], not only in the way we plan media, but also on advertising performance in general,” iProspect's Patton said.

“We're going to have to get a lot smarter with how we use [Facebook's own targeting tools],” DeBetta said. The third-party data was like a crutch, he added, filling in information the marketer didn't already have and enabling them to fine-tune their targeting.

A few things may soften the blow to these advertisers:

- For now, advertisers can still bring their own third-party data, such as data they themselves purchased from

a broker. It's possible Facebook will make changes in the future that affect this, but as of early April it was still allowed.

- The Facebook pixel is still valuable. Advertisers can use the Facebook pixel—a piece of code that advertisers can place on their website to measure and build audiences for Facebook campaigns—and then capitalize on that information, said Julie Whiting, associate director of paid social at digital agency DigitasLBi. “Being able to see that a person who went to a travel website also liked a Facebook page for Hawaii and went to an Instagram swimsuit account, and knowing that that person is [probably] highly in-market for a beach vacation is a really unique opportunity [for advertisers],” she said. However, Facebook is making a few changes that will have an effect on the pixel, and those will require close attention going forward.
- Facebook’s own targeting solutions will likely get better. “They’re going to find another way to do modeling and data overlays,” DeBetta said. “We have to be patient, but something else will come out. I’m very confident in that.”

CUSTOM AUDIENCES WILL ALSO SEE CHANGES

A move that will likely affect more marketers is a planned change to Facebook’s Custom Audience feature, a highly popular targeting technique in which marketers can show ads to a list of their customers. Lookalike Audiences, an expansion of this feature that allows marketers to target audiences that are similar to their own customers, could also come under scrutiny.

The exact changes to Custom Audiences are still evolving, but one implication for marketers is that Facebook is creating a “permission” tool that advertisers will need to use to confirm they have gotten consent to use email addresses, phone numbers or other personal information in their Custom Audience list.

The actual targeting products likely won’t change, but the onus will be on the marketer and their agency partners to provide the proof, Whiting said.

“I believe this update will benefit Facebook first, in that they will be covering themselves from liability,” she said. “It will help [marketers] as well, as it adds liability to their agency partners.”

One big question is exactly how Facebook will go about policing this requirement.

It’s hard to imagine it will have the resources to scrutinize all of the email information its advertisers want to bring into their targeting, but with the level of attention being put on Facebook’s ad practices right now, it’s certainly not out of the realm of possibility for Facebook to tell advertisers it will at least try to do so.

EXPECT FACEBOOK TO REINFORCE THE VALUE OF BRANDING AND BROAD TARGET AUDIENCES

While much of the focus right now is on third-party data, there is also the possibility that some users will reduce the amount of personal information Facebook has access to, by updating privacy settings, deleting ad permissions and changing preferences.

Any reduction in information could negatively affect ad targeting, but other changes could actually give Facebook more information (such as if someone updated the list of interests or ad categories that Facebook has gathered).

To soften the blow from a reduction in first-party targeting data, we believe Facebook will start to remind marketers of the other pillar of its value: its massive user base, perfect for broad-reach ad campaigns.

Some ad agencies reported to eMarketer that Facebook has already shifted its tone in sales meetings, away from higher-priced precision targeting and more toward the fact that Facebook ads can also reach a large number of people.

They are moving “away from a focus on spending a higher CPM to reach a smaller qualified audience,” Lawrence of SapientRazorfish said. “Lately they’ve been talking much more about targeting broader audiences.”

At Digitas, “we’re still looking at Facebook as a mass-reach vehicle,” Whiting said.

Even some of Facebook’s targeting products have gotten a broad-reach enhancement. Last year it introduced Dynamic Ads for Broad Audiences, an ad format similar to the highly successful Dynamic Ads that direct response advertisers use to dynamically create and deliver ads featuring products a user may have viewed on a retailer’s website.

The Broad Audience enhancement enables marketers to show these ads to people who haven't visited their website or bought products.

This feature helped lead iProspect's clients to increase their Q4 2017 Facebook ad spending 108% year over year. "This increase is due primarily to more of our existing clients seeing success on the platform—not just in legacy direct-response tactics, but also with the addition of Facebook Dynamic Broad Audiences," the company wrote in its Q4 2017 "Paid Social Trends" report.

THIRD-PARTY MEASUREMENT WILL FACE SCRUTINY, TOO

Advertisers have pushed Facebook to allow third-party ad measurement, and Facebook has gradually (some would say grudgingly) taken steps to do so. But in addition to scrutinizing the way third-party data is used for ad targeting, Facebook is also taking a hard look at the privacy controls that third-party measurement firms use.

In addition, some measurement services that use Facebook-connected apps to gather their data may see their permissions curtailed as Facebook reviews and clamps down access for all app developers.

Facebook says it believes the precautions it has taken in the area of measurement are good, but acknowledges that it's working with measurement partners to invest in technology with more robust privacy controls.

Could Facebook end up using the current heightened attention around privacy to once again push back on efforts to use outside measurement firms to prove ad effectiveness? We think this is unlikely, given how much effort Facebook has put in to endorse the third parties that provide measurement of its platform, such as Integral Ad Science, Moat and comScore, and how strongly advertisers have lobbied for it.

One thing to note is that Facebook will continue its measurement partnerships with Oracle's Datalogix and Acxiom, even though they are among the companies that were part of the Partner Categories targeting offering. This move indicates that Facebook thinks appropriate walls can be maintained between the measurement and ad targeting uses of that data.

Facebook has also worked toward Media Rating Council (MRC) accreditation, an important step in third-party

measurement. This month, the MRC announced it had granted accreditation for Facebook's ability to report News Feed served ad impressions on Facebook and also on Instagram.

DEVELOPERS ARE IN HOT WATER

The work of an app developer put Facebook in the current negative spotlight, and app developers are now facing many of the harshest cutbacks.

Facebook has pledged to scrutinize all developers whose apps integrate with its platform to confirm they are using data appropriately. It also heavily reduced developers' access to a variety of information about Facebook users. In addition, Facebook has taken steps to limit developers' access to information about Instagram users.

These moves will wreak havoc on the thousands of developers that have built apps that integrate with Facebook. On the positive side, the changes will weed out bad apps that had been gathering data they probably shouldn't have had access to, but they will also affect brand-name marketers and developers as well.

"Third-party developer access to Facebook is and has been the cornerstone of some tried and true social intelligence, management and audience insight tools we marketers use every day to help manage the vast abyss that is social," Angela Yang, director of connections at T3, an ad agency, wrote in a March 2018 blog post. "How will these companies and partners withstand these changes and find ways to stay compliant within the new world order?"

Dating app Tinder was among the many that had to develop workarounds when their apps briefly stopped working after Facebook implemented several of the changes in early April.

WILL MORE PRIVACY PRACTICES COME UNDER SCRUTINY? YES.

eMarketer Viewpoint: Transparency and trust aren't just Facebook issues: They're issues for every marketer—even if they don't advertise on Facebook—and every publisher.

The events that have unfolded in the weeks since Cambridge Analytica should force businesses to take a deep look at how they themselves collect and use consumer data. Other digital platforms will also be in the crosshairs. And discussion of potential regulations, which came up repeatedly during the two days of congressional hearings in April, could easily spread from Facebook to the broader industry.

"We're still early days in this, but something that clients have to think about is, regardless of what we're doing on Facebook, how do we make sure we're being transparent?" said Kyle Bunch, R/GA's managing director of social, in a March 2018 Fast Company article.

Those in the ad industry are often guilty of assuming that what they know and understand about how marketers gather and use data is common knowledge for the general public.

"Any time these scandals happen, it brings this stuff to the forefront, and we in the industry are like: 'Well, that's a common practice. That's been going on for years,'" DeBetta said. "The public is still a little blind to how much they are personally marketed to."

Brands should want their customers to feel confident, not leery of them.

"As marketers, we want our audiences to feel confident and comfortable in our brand and how we got our messaging in front of them," Whiting of Digitas said. "If it means that we no longer have this vast array [of data for targeting], and it's more time sensitive and things expire or refresh in seven days or 24 hours or whatever it might be, not only does it make the consumer feel more protected, but it also protects them more."

Marketers have an opportunity to assess where they get data, how they get it and how their customers feel about them having access to that data.

"It's important to take into account the sources of data you are using to track your customers, whether that's first-party or third-party. How do we actually gather our customers' data, and is that all sound?" Yang of T3 said. "If we're not in tune with best practices either, then we're certainly going to be coming under scrutiny as well."

NEXT STEPS FOR MARKETERS

Facebook is in unprecedented territory, and marketers should be prepared for more changes and uncertainty in the coming months. We will be updating our usage and ad revenue forecasts as more data becomes available. In the meantime, marketers should:

MONITOR CONSUMER ENGAGEMENT. Although eMarketer doesn't expect a mass user defection, there is a risk that users will decrease their time spent on Facebook or their activities there.

ASSESS WHETHER ANY CHANGES IN CONSUMER BEHAVIOR THAT DO OCCUR ARE TEMPORARY OR PERMANENT. Right now, tensions and emotions are high. The true test will be if consumers go back to their previous behaviors and usage patterns once the news cycle has died down, or if they make more substantial changes to their level of activity on Facebook.

FOCUS ON FIRST-PARTY DATA FOR AD TARGETING. With all the scrutiny over third-party data, marketers may face less risk by using first-party data.

CLOSELY EVALUATE AD EFFECTIVENESS. With the upcoming closure of Partner Categories, some advertisers will need to shift to other types of advertising on Facebook. They should keep close tabs on whether they achieve the same level of ROI.

MOVE PRIVACY DISCUSSIONS TO THE FRONT BURNER. The imminent arrival of the GDPR, combined with the current furor over Facebook, only heightens the need to have a clear, consumer-friendly policy on data collection and privacy.

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Jay Friedman
COO
Goodway Group

Interview conducted on April 2, 2018



Aaron Goldman
CMO
4C

Interview conducted on April 3, 2018



Jerry Lawrence
Vice President, Social and Content Marketing
SapientRazorfish

Interview conducted on March 29, 2018



Katherine Patton
Director, Paid Social
iProspect

Interview conducted on April 2, 2018



Lauren Sanborn
Director, Social Media
Schafer Condon Carter

Interview conducted on April 5, 2018



Julie Whiting
Associate Director, Paid Social
DigitasLBi

Interview conducted on March 26, 2018



Angela Yang
Director, Connections
T3

Interview conducted on April 3, 2018

David DeBetta
Vice President, Media
Rapp LA

Interview conducted on March 30, 2018

Steven Hartman
Vice President, Global Marketing
Kenshoo

Interview conducted on April 4, 2018

Ben Tregoe
Senior Vice President, Revenue, Business and Corporate Development
Nanigans

Interview conducted on April 3, 2018

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