

General Motors drops Facebook advertising on eve of IPO: Why?

 By [Walter Pike](#)

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General Motors (GM), the third biggest advertising spender in the US, has announced that it would no longer be allocating any budget to Facebook advertising because paid ads on the site have little impact on consumers' car purchases, according to a GM official.

This news has had the web buzzing with wildly differing views from the likes of 'Who cares? The US\$10 million is a tiny portion of both GM's ad budget, which is around US\$1.8 billion, and a drop in the ocean in Facebook's revenue of US\$3.7 billion' to 'This is the beginning of the end for Facebook' which lists this week (eg see [Reuters](#) and [BusinessInsider.com](#)).

Different reason

I think that it is significant for a different reason.

There is no doubt that Facebook is a dominant tool of the desktop internet. It enables connections of millions of people and, because of the way it collects data on each of its members, it is able to target advertising messages very precisely to each member's interests and demographics.

Google, though, allows the delivery of advertising messages targeted by a user's mind space, based on what he or she is doing at the time. Google assumes that someone searching for a hotel in Port Elizabeth is interested in finding a hotel in Port Elizabeth and delivers a relevant advert.

If you are selling advertising space to a media buyer, Facebook is music to their ears. It enables precise targeting and, as such, is very easy to understand. But if you think a little deeper, maybe that's not that important - maybe Facebook's revenue model and the needs of media buyers do not conform with the needs of Facebook users?

Spread ideas

Taking a step back, the role of advertising specifically but marketing communications in general is to spread ideas. Brands are ideas in the minds of customers and, as marketers, we wish the idea to take hold that buying our brand is the best that you can do.

When mass communications technology was dominated by broadcast media, the goal was to create audiences and then to interrupt that audience with a message that was relevant, original and impactful.

To segment that market as precisely as Facebook can appears to be amazing, but Facebook users are not an audience; they are using Facebook to connect and communicate with friends, however you define friends, and are sharing ideas and coordinating and organising themselves around those ideas.

Amazingly powerful tool

In that context, Facebook is an amazingly powerful tool because it allows masses of interconnected networks to grow and creates pathways along which ideas can spread.

For marketers to facilitate the spread of "desired" ideas in this network, they need to understand the structure of the network and the roles of the different players in the network. Who are the question people and the answer people who are the bridges that link the different communities together?

Marketers need to understand and facilitate the conversations these communities are having, and become resources for the different role players. Answer people need to be able to answer questions, and giving them access to these answers assists their role.

Continuing with content strategy

GM had been spending an annual budget of US\$40 million on Facebook and is only pulling out the US\$10 million it spends on paid advertising, continuing with its content strategy that uses up the balance. This makes perfect sense to me because this is where social networks excel. But it's bad news for Facebook because not a cent of the US\$30 million goes to Facebook itself.

Maybe the lesson that GM has just learned is that you can't just buy yourself presence on social networks - it's much more about building communities and engaging with your fans. Maybe other brands will also learn this.

In South Africa, is no shortage of people using social media as if it were just another channel and using the traditional approach to talk to what they perceive as audience.

Recent debate

I recently had a debate with a digital agency on what it called the importance of reach; by that they mean collecting followers, collecting likes etc. My point is that reach is a broadcast media concept and is irrelevant in marketing in the social era, which has nothing to do with audiences and is much more about community dynamics. The approach is to try get extra free views with a "viral" video and to run digital promotions. This is like using a Ferrari to plough a mielie patch.

I know of less than a handful of SA marketers who get this. Does GM? I don't know but scrapping its investment in paid advertising on Facebook may indicate that it does.

For more:

- Google News Search: [General Motors Facebook](#)
- Twitter Search: [GM Facebook](#) or [General Motors Facebook](#)

ABOUT WALTER PIKE

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