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THE WALL STREET JOURNAL.

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SMALL BUSINESS

New Facebook Rules Will Sting Entrepreneurs

Network to Remove Unpaid Plugs in User News Feeds



Chrisy Bossie, who runs a jewelry business out of her home, has used Facebook for marketing. *Chris Tyree for The Wall Street Journal*

By ANGUS LOTEN, ADAM JANOFSKY and REED ALBERGOTTI

Nov. 27, 2014 7:14 p.m. ET

Chrisy Bossie built a \$100,000-a-year gemstone e-commerce business by sharing information about her products on her company's Facebook page several times a week.

“Steals in the Shop! I have a TON of new 36-inch-long necklaces, most priced at \$15, available in amethyst, lapis, watermelon tourmaline, turquoise.... Shop them all here,” she wrote in a recent marketing post on a Facebook page for Eartheigy, the business she runs from her home in rural Kent Store, Va. She also included photos and links to the products, hoping the business’s 70,000 Facebook fans would share the posts with their own Facebook friends.

But small-business owners like Ms. Bossie will soon get less benefit from the unpaid marketing pitches they post on Facebook. That’s because, as of mid-January, the social network will intensify its efforts to filter out unpaid promotional material in user news feeds that businesses have posted as status updates.

The change will make it more difficult for entrepreneurs like Ms. Bossie, the founder of four-year-old Eartheigy, to reach fans of their Facebook pages with marketing posts that aren’t paid advertising.

Businesses that post free marketing pitches or reuse content from existing ads will suffer “a significant decrease in distribution,” Facebook warned in a post earlier this month announcing the coming change.

The upshot for Ms. Bossie is that “if I do not pay to promote the post or boost it, it’s hardly reaching anyone,” she says. Now, more than half her sales come via her Facebook posts, she estimates.

More than 80% of small companies using social media to promote their businesses list Facebook as their top marketing tool, followed by LinkedIn and Twitter, according to a recent survey of 2,292 small businesses by Webs, a digital services division of Vistaprint. The top three reasons owners cited for creating a Facebook page were customer acquisition, building a network of followers and increasing brand awareness, according to the survey.

Dan Levy, Facebook’s vice president of small business, says that Facebook’s paid-advertising options have become more effective recently and that companies should view Facebook as a tool to “help them grow their businesses, not a niche social solution to getting more reach or to make a post go viral.”

He says he has “a lot of empathy” for business owners who “are feeling this evolution” in the reduction of what he describes as organic reach. But, he says, organic reach is only one of several reasons companies benefit from having a presence on Facebook. Last month, there were more than one billion visits to Facebook pages directly. “Having a presence where you can be discovered still has a ton of value,” he says. “We don’t want them to spend any dollar with us unless it’s doing something spectacular to help them grow their business.”

Facebook’s push toward paid advertising is likely to aggravate an “already tense relationship between small businesses and social platforms over audience ownership,” says Steven Jacobs of Street Fight, a Colorado-based media-and-events firm covering local digital marketing. Businesses used to own their consumer relationships through email or other in-house marketing channels, or to buy them from newspapers, television and other traditional media outlets through ads. “But Yelp and now Facebook are trying to peddle a third model, he says: “renting—in which a business can build a community but never own an audience on a platform.”

Facebook also offers “promoted posts”—an option that lets businesses pay anywhere from \$5 to several thousand dollars to have posts on their pages viewed by a wider pool of users.

Ms. Bossie says that she has used both “unpaid” and “paid” Facebook posts to spread the word about her business and that the unpaid promotional posts are becoming less and less effective at driving sales as other content crowds them out. She expects to pay \$1,500 a month next year on Facebook advertising, up from \$1,200 this year, and she plans to allocate about three-quarters of her spending to promoted posts.

Some small-business owners say they have begun to accept Facebook as “a pay-to-play marketing channel” for businesses.

Blake Jamieson, a marketing director at PoolSupplyWorld, a small Phoenix, Ariz., supplier of chlorine, pumps and filters for home pools, says its Facebook posts now generate average item sales “in the single digits,” down from 10 to 15 items per post in 2012. By posting photos of water parks or tropical resorts on its Facebook page, PoolSupplyWorld has accumulated more than 100,000 “likes,” or fans of its business page.

Regardless, Mr. Jamieson is comfortable paying to advertise on Facebook, he says. After all, any ad campaign “costs money to get the impressions you want.”

Analysts at Forrester Research said in a report released Monday that posts by well-known brands on Facebook reach only about 2% of their fans and followers, while on average fewer than 0.1% of people interact with each post. The researchers didn't specifically measure the average reach of smaller brands' Facebook posts.

Todd Bairstow, a partner at online-marketing firm Keyword Connects, says a strategy of attracting fans and "likes" on Facebook using unpaid posts in order to market to them later "ultimately failed for almost everyone we know."

Mr. Bairstow, who represents about 350 small-business clients, says that advertising options on Facebook have improved in recent years, "but it was at the expense of small companies that spent a lot of time investing in and engaging their audience" by posting frequent status updates or messages on their firms' Facebook pages.

Christine Lynch says she has spent \$6,000 so far this year to boost Facebook posts about Women Owned Business Club, her Long Island, N.Y., service, which charges a membership fee and uses social media to promote the businesses of its 450 members. That's up from about \$2,000 in 2013, when, she says, the reach of unpaid posts "all of a sudden went way down." About 80% of the service's business comes through its Facebook page, which currently has 11,774 "likes."

"If you're not paying for it now, no one's going to see it," Ms. Lynch says, explaining her current view of marketing on Facebook.

Meanwhile, entrepreneurs say they will monitor the social network and compare its value to that of other online advertising options as they experiment to find the best business results.

Justin Draplin, co-founder of Superfly Kids, a Livonia, Mich., maker of custom superhero capes, says he thinks of Facebook as a tool for spreading the word, thus building the Superfly Kids brand.

Even so, he says, the company has yet to "figure out how best to monetize" either its 9,044 Facebook fans or its Facebook page.

Superfly Kids, which has more than \$2 million in annual revenue, now uses the bulk of its online marketing budget to boost its Google search ranking. "No one is searching Facebook for superhero capes," he notes.

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