

Hollywood, Facebook On Chilly Terms

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LOS ANGELES — Hollywood's friendship with Facebook is showing signs of strain.

The entertainment industry was among the first to embrace the Silicon Valley phenomenon. Studio executives thought the giant social network held great promise in reaching moviegoers for less money than traditional advertising such as trailers and TV ads.

Facebook's origins even became fodder for the 2010 Academy Award-winning movie "The Social Network."

These days, major studios are taking a hard look at the cost of winning friends on Facebook. Some industry executives are increasingly skeptical that Facebook ads and promotional campaigns can ask users to "like" a movie can deliver big box-office returns.

"For people who are actually looking at the research and are looking for return on investment, for metrics that indicate specifically what Facebook's role is in the movie marketing equation, the jury's still out," said Jim Gallagher, a movie marketing consultant who formerly oversaw marketing for Walt Disney Studios.

Fred Leach, Facebook Inc.'s head of entertainment measurement, said the Menlo Park, Calif., company is working more closely than ever with Hollywood studios to help them target the right audience for a film, including giving studios more data showing the connection between ads and movie ticket sales and more tools to track the effectiveness of Facebook campaigns.

In Hollywood, few are openly critical of the world's biggest social networking company.

"Facebook continues to be an important advertising partner," said Dwight Caines, president of worldwide digital marketing at Sony Pictures Entertainment.

"They are on every campaign we do today."

But other film executives confide privately they are considering cutting their spending on Facebook ads, just as carmaker General Motors Co. did last year, when the nation's third-largest advertiser dropped its annual \$10 million Facebook campaign after deciding the ads didn't help sell cars.

The skirmish with Hollywood comes at a sensitive time for Facebook. The company, under pressure from Wall Street to grow revenue after its initial public stock offering in May, is competing with other social media for a share of the estimated \$1.5 billion a year each major studio spends promoting movies globally.

Part of the problem is that studios are being asked to pay for the exposure they once got for free.

For years, studios have set up Facebook fan pages to connect with moviegoers, sending photos, video clips and other updates to the News Feed of users who "liked" a particular film, at no cost to the studios.

Then, in September, Facebook made a change to the algorithm that decides what users see in their News Feed. Facebook says it made the shift because users were tagging posts with negative feedback.

Major brands, including Hollywood studios, have seen a dramatic decline in the number of fans who see their messages.

For example, 72 percent of movies and network TV shows experienced a drop in the number of people who saw new Facebook posts after the new algorithm launched, according to BlitzMetrics, a Facebook marketing firm that analyzed 9 billion page posts generated over a 60-day period before and after the change.

That decline took a toll on two factors marketers watch closely: reach and engagement.

Twenty-three percent of the biggest studio pages saw a reduction in "engaged" users — people who click on a post, share it with friends or write a comment — because of decreased exposure in the News Feed, BlitzMetrics

MONDAY PRIMETIME/LATE NIGHT JANUARY 14, 2013. Table with columns for time slots (3:00-1:30) and rows for broadcast stations (PBS, KTVB, NBC, etc.) and cable channels (HBO, HBO2, MAX, etc.).

TUESDAY PRIMETIME/LATE NIGHT JANUARY 15, 2013. Table with columns for time slots (3:00-1:30) and rows for broadcast stations (PBS, KTVB, NBC, etc.) and cable channels (HBO, HBO2, MAX, etc.).

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