How Eroding Trust in Social Media Might Affect Ad Revenue

Faith in Facebook and other platforms has been shaken, which could alter their money-making models.

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When the concept of “influencer marketing” emerged, it was the first time in decades that advertising seemed authentic. This was particularly timely, given how most people had been avoiding paid promotion by any means necessary (ad blockers on the internet, time-skipping DVRs on television, etc.). But in the wake of revelations like Facebook’s Cambridge Analytics privacy scandal, social media — the primary vector by which influencers plied their trade — became less trustworthy than ever, leading many to wonder about the impact on ad revenue and how social media on the whole would respond.

The Lack-of-Trust Effect

The 2018 Edelman Trust Barometer presents a stark picture of just how much trust was lost. In the United States alone, user confidence in social-media platforms declined 11 points over 2017’s figures. Worldwide, merely 41 percent claimed they trusted social media. Worse, 40 percent of respondents subsequently deleted a social media account, and government watchdogs have increasingly targeted social-media firms with antitrust actions.

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New Angles

Sometimes, potential solutions emerge that can help shore up the losses. Facebook, for example, reported a 28 percent increase in ad revenue year-over-year for their most recent quarter; amounting to over $16.6 billion. The customer targeting-capabilities on Facebook are so robust that brands continue to use the advertising platform. In addition, Instagram Stories added significantly to the company's bottom line.

Still, trust will need to be regained, and improvements have to be made in the protection and use of information. "We can't assume that our privacy is being respected, even with laws like GDPR," says Jon Gillham, CEO of Blade, a pair of browser extensions that block ads and replace them with adbank-powered ads offering crypto rewards. "Current technology is built to benefit companies and shareholders, not end users. We will continue to see tech giants use sneaky tactics that exploit user data and outwit regulations until advertisers, publishers and end users actually choose to use privacy-respecting platforms."

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Focus on Innovation

Lost viewers will eventually lead to lost ad revenue, and the only way to get that revenue back is with improved protection for users. That's going to require new technology, and already, some are looking to blockchain to address the shortfall. Facebook's own controversial Libra program happens to feature cryptocurrency at its base.

Revenue Beyond Advertising

Social-media providers may have started to see the handwriting on the wall for revenues related to advertising and are working to branch out. Again, Facebook’s cryptocurrency plan could deliver a new source of revenue, but social media platforms like Pinterest and Instagram have been working to serve as channels for selling goods. On the surface, it makes sense; people are already on the site to look at goods, so why not integrate buying options to turn the window shopping equivalent into a regular shopping opportunity?

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