

Facebook Takes Over Its Own Display Advertising From Microsoft, Keeps Bing For Web Search

by **Erick Schonfeld** on February 5, 2010



When it comes to display advertising on its own site, Facebook is taking full control of its inventory away from Microsoft. Even prior to Microsoft's initial **\$240 million** investment in Facebook in 2007, the two companies had an **advertising partnership** giving Microsoft the ability to serve display ads on the social network. That was a three-year deal which was up for renewal. The two companies just finished renegotiating it, and **Microsoft will no longer be serving up display ads** on Facebook.

However, Bing will still power Web search on Facebook and will serve up search ads. The relationship with Bing will actually be expanded to be global (before it was just U.S.) and to include smart answers and other guided search features within Facebook. Expect Facebook's Web search to start looking a lot more like Bing. As far as social search goes, however, Facebook continues to develop its own search technologies which return real-time results from your personal stream.

Handing over a large chunk of its display advertising to Microsoft made sense three years ago, but now that Facebook generates **more page views than Yahoo or Microsoft** it doesn't need to split ad revenues on its own site with anyone. Facebook is **still trying to figure out** what kind of advertising will work on a social site, but it has so much inventory that its **revenues** are believed to be growing quickly.

Traditional display ads, especially the remnant ads Microsoft was serving up, never really paid off on Facebook or any other social network. (Google also famously had **trouble** making its ad deal on MySpace work financially). The failure of social ads has caused social startups to embrace virtual currency as their next salvation. So far social ads have only worked for Facebook because it operates at such a massive scale that all those pennies add up. In theory, Facebook should be able to target ads to your specific interests and demographic because it knows so much about its 400 million members. The problem is that people don't want to see ads when they are hanging out with their friends online. But it is **not hard to imagine** Facebook turning Facebook Connect (which reaches **60 million people** and growing) into a highly targeted ad network that puts ads on other sites.

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