

Would You Pay for an Ad-Free Facebook?

eMarketer calculates how much Facebook would have to charge users to make up for lost ad revenue

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Debra Aho Williamson

Is an ad-free Facebook a feasible strategy?

With scrutiny of Facebook's ad practices ramping up following the Cambridge Analytica revelations, the fake news crisis, and the EU's adoption of the General Data Protection Regulation (GDPR), the idea of Facebook charging users who don't want to see ads a monthly subscription fee has been raised as a possible remedy. But eMarketer's analysis, [highlighted in a report out yesterday](#), finds the price that it would have to charge consumers could be a reason to squash the idea.

Facebook recently conducted market research to evaluate whether consumers would pay for an ad-free subscription version of its social media platform, according to a [Bloomberg report](#) in May.

During Facebook's Q1 earnings call, COO Sheryl Sandberg acknowledged it had explored the possibility: "We certainly thought about lots of other forms of monetization including subscriptions, and we'll always continue to consider everything."

But just 23% of consumers surveyed in April by [Recode](#) and online survey company [Toluna](#) said they would be willing to pay for an ad-free Facebook. And CEO Mark Zuckerberg has been public in his resistance to the idea, saying during the same earnings call, "We think that ads

[are] a great business model that is aligned with our mission. We want to build a service that can help connect everyone around the world, so we want to offer that service for free and have it be affordable—and that's completely aligned with what we're trying to do.”

How much would Facebook have to charge users to make up for lost ad revenues? We forecast that Facebook will make \$91.58 in average ad revenue per US user this year, which equates to a monthly subscription fee of \$7.63.

US Average Ad Revenue per User (AARPU), by Company, 2016-2020					
	2016	2017	2018	2019	2020
Facebook	\$64.70	\$87.89	\$91.58	\$95.71	\$99.26
Instagram	\$22.69	\$35.06	\$52.85	\$69.18	\$85.54
YouTube*	\$36.00	\$44.38	\$48.34	\$51.92	\$55.94
Hulu*	\$26.76	\$28.42	\$30.90	\$33.73	\$36.40
Twitter	\$25.41	\$21.33	\$19.86	\$20.58	\$21.08
Snapchat	\$4.79	\$7.16	\$11.91	\$19.54	\$31.74
Roku	\$1.75	\$3.91	\$6.39	\$8.92	\$11.44

*Note: among users of the above at least once per month; excludes spending by marketers that goes toward developing or maintaining a presence on each social platform; *gross*
Source: eMarketer, March 2018

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Outside the US, Facebook makes much less ad revenue per user, so an equivalent subscription fee in other markets would be lower. Still, paying to use Facebook isn't something that eMarketer expects many global—or US—users will be willing to do.

So an ad-free Facebook does not seem to be a realistic solution. And ad revenues, which rose 50.1% year over year for a worldwide total of nearly \$11.8 billion in Q1 2018, are not something Facebook seems willing to forfeit. Instead, the company's executives are focused on reassuring consumers that their privacy will be protected.

The goal is to “help advertisers, but especially people, understand the commitments we made to privacy and that we can build an advertising business that respects people’s privacy at the same time,” said Rob Goldman, Facebook's vice president of advertising. “People need to be able to understand what is an ad, why they were targeted for the ad, what was the advertiser doing here. And if they don’t like it, they should be able to control it.”

Studies conducted by privacy researcher **Ponemon Institute** in the weeks after the Cambridge Analytica news broke found a dramatic drop in Facebook users' belief that the company was committed to protecting their private information. In a study conducted in 2017, 79% of respondents agreed with that statement. In the survey conducted a week after the news came out, just 27% agreed. Trust rose to 33% in the second week but fell to 28% after Zuckerberg's congressional testimony in April.

Thomson Reuters found that 44% of Facebook users polled in April had recently changed their privacy settings. When asked why they were sharing less with friends and followers, 80% said it was because they had heard negative stories in the media, and 47% said they had privacy concerns.

Carolyn Everson, Facebook's vice president of global marketing solutions, sees the issues around targeted advertising to be an industrywide problem, not just Facebook's alone. "Can targeted advertising and privacy coexist? We believe firmly it can, but it has to reach a much higher bar around educating consumers and giving them full control of how that advertising experience plays out, not only on our platforms," she said.