

# Policy Brief

April 7, 2014

## Facebook Pages: Low Organic Reach is Bad for Small Businesses

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**Executive Summary** As of November 2013, Facebook claimed that 25 million of its Pages are classified as small or medium businesses.<sup>1</sup> Unfortunately, changes to Facebook's organic reach algorithm make it more difficult than ever for those small businesses to reach the number of users that "Like" their Page. A March 2014 report from Slate.com<sup>2</sup> states that organic Page reach for a company or brand will soon only tap into one to two percent of a Page's total number of "Likes." This means that unless businesses or brands pay to promote their posts and status updates, their content will be visible to only a very small number of users who follow or "Like" that Page.

### Introduction

Facebook is the most dominant social networking platform. February 2014 statistics from the Pew Research Center say that, "57% of all American adults and 73% of all those ages 12-17," use Facebook.<sup>3</sup> Additionally, there has been an increase in daily visitors to the site to 64%, which is up from 51% in 2010.<sup>3</sup> Examining these numbers, one can see why marketing on Facebook would be extremely beneficial for smaller or medium-sized businesses not only to advertise their services but to engage users who "Like" their business' Page on Facebook. As of the writing of this policy brief, Facebook still maintains the tag line, "Create a Facebook Page to build a closer relationship with your audience and customers," on its "Create a Page," section.<sup>4</sup> However, organic reach, meaning the number of Facebook users reached by each of these business or brand Pages' content posts or status updates without paying for a promotion was revealed to only be about 12% in 2012.<sup>5</sup> Now in 2014,

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<sup>1</sup> <http://techcrunch.com/2013/11/18/facebook-smb-25-m/>

<sup>2</sup> [http://www.slate.com/blogs/future\\_tense/2014/03/24/facebook\\_brands\\_and\\_organic\\_reach\\_why\\_no\\_one\\_likes\\_your\\_self\\_promoting\\_posts.html](http://www.slate.com/blogs/future_tense/2014/03/24/facebook_brands_and_organic_reach_why_no_one_likes_your_self_promoting_posts.html)

<sup>3</sup> <http://www.pewresearch.org/fact-tank/2014/02/03/6-new-facts-about-facebook/>

<sup>4</sup> <https://www.facebook.com/Pages/create/>

<sup>5</sup> <http://socialmediatoday.com/tara-urso/2281751/your-facebook-Pages-organic-reach-about-plummet>

that number will drop even lower to just one to two percent.<sup>2</sup> Using the one percent example, that means that when a small business Page has 500 “Likes” and posts a status update about a sale or new promotion, that only about five of those 500 users that “Like” their Page will see the post unless the business pays for a paid promotion.

The goal of this policy brief is to determine why Facebook is decreasing their organic reach, and how this decrease hurts small businesses that cannot afford to pay for advertising to reach Facebook users who already “Like” their Page and have for years. Through research on Facebook Pages and their decrease of organic reach, it’s easy to assert that Facebook has already become and continue to be a paid channel for businesses to reach their customers or audiences, and that the model of free marketing on Facebook is coming to an end.

### **Approaches and Results**

Facebook launched Pages in 2007 as a platform for businesses and brands to expand their marketing. Pages, which are open to anyone rather than just Facebook members, allow the creation of a Page that best fits your business or brand needs through complete customization.<sup>6</sup> Pages were a great way for small to medium-sized businesses to gain a following and connect with customers. More recently, many businesses bypassed the creation of a website and simply used their Facebook Page as a hub for all of their contact information and pertinent details. As recently as November 2013, Facebook claimed that 25 million of its Pages were classified as small or medium-sized businesses.<sup>1</sup> This meant that businesses owners had flocked to Facebook for its free promotional services. Many put time and effort into building their Page’s following so they could connect organically with most, if not all, of those who “Like” their Page through posts and status updates.

But organic reach first started to waver when Facebook rolled out its news feed, which aims to show users their “top stories” of the day. Unfortunately, there is only so much room in a user’s news feed so an algorithm is used to calculate what is shown in each user’s feed.<sup>7</sup> This has caused organic reach of Pages to decrease over time. The following graph from EdgeRankChecker.com<sup>8</sup> shows the organic reach per fan from February 2012 to March 2014.

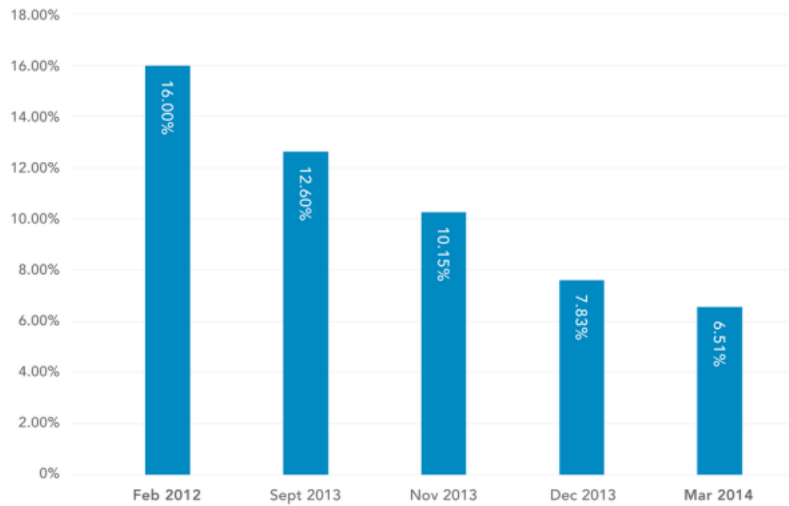
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<sup>6</sup> <http://puddlegum.net/facebook-introduces-facebook-Pages-for-artists-and-businesses/>

<sup>7</sup> <http://techcrunch.com/2014/04/03/the-filtered-feed-problem/>

<sup>8</sup> <http://edgerankchecker.com/blog/2014/04/providing-stats-metrics-to-the-eat24-facebook-discussion/>

### ORGANIC REACH PER FAN FEB 2012 – MARCH 2014



EDGERANKCHECKER.COM

In addition, the algorithm Facebook currently uses takes post creator into consideration. Therefore, a post from a popular creator such as the Chicago Tribune or Time Magazine will more likely be seen than a post from the Facebook Page for a small, local business. The following chart from EdgeRankChecker.com shows the organic reach per fan of viral content creators versus local businesses.<sup>7</sup>

### ORGANIC REACH PER FAN VIRAL CONTENT CREATORS vs. LOCAL BUSINESS

PAGE SIZE	0-25k	25k-100k	100k-500k	250k-1M	1M+
<b>Media/News/Publishing</b>	28.35%	24.68%	15.18%	12.51%	11.24%
<b>News/Media Website</b>	15.53%	13.12%	12.75%	6.31%	2.76%
<b>Local Business</b>	9.96%	5.37%	4.60%	—	—
<b>All Categories</b>	10.61%	6.78%	6.96%	5.12%	3.97%

EDGERANKCHECKER.COM

One way that a Page can earn space in a news feed is to be engaging, interesting and compelling enough to generate a lot of “Likes” and comments. Therefore, business and brand Pages have to work harder for visibility. The problem is that small businesses Pages cannot even reach enough users organically to gain even that opportunity as only a small percentage of users can see their posts in the first place.

In addition, the above graph and chart still show organic reach at around six to ten percent, but more recent reports say that that number will fall to one or two percent,<sup>9</sup> which will make it a necessity for small businesses to pay if they want to reach more than a few of the users that “Like” their Page.

Worse news for small businesses is that even popular Facebook Pages are being affected by the decrease in organic reach. Actor Rainn Wilson, best known for his role as the character Dwight Shrute on NBC’s The Office, took to Twitter to vent his frustration with reaching fans on Facebook as he tweeted<sup>10</sup> in March 2014, “Turns out my @Facebook is kind of worthless. I used to post & reach most of my 200k followers, now I reach 5k & have to pay to hit more.”

### **Conclusion**

The conclusion based on the results provided in the previous section is that Facebook, while still a dominant social network, is moving away from free marketing toward a pay-for-visibility platform. This transition, while having a negative affect on small businesses with fewer than 500 “Likes,” is not hurting Facebook as they generated \$7 billion in ad revenue in 2013.<sup>11</sup>

This means that small businesses or medium-sized businesses that cannot afford to pay for their posts to be seen by the Facebook users who already “Like” their Page are being pushed out. Instead, Facebook will now cater to larger brands and viral content creators rather than being a free promotional tool that it once was merely a few years ago. Having a Facebook Page is still a necessity for businesses as it’s a great and easily findable replacement for a standard .com website. But if a small or medium-sized business wants to reach its fans with news and promotions, it should rethink its Facebook or social media strategy.

### **Implications and Recommendations**

Even as organic reach of Facebook Pages dwindles, the fact that soon only one to two percent of Facebook users that “Like” a Page will be able to see that Page’s posts is unreasonable. It makes the idea of promoting a Facebook Page and inviting friends to “Like” said Page virtually meaningless if they will not be able to see any posts the Page publishes. At this point, it may even be better for businesses to bypass the creation of a Facebook Page, and instead create a Facebook profile as if it were a person and have customers or their audience add them as friends to reach more people.

Organic reach should not be marginalized, however. It’s important that if the time is taken to build an audience of a few hundred that “Like” your Page, the audience should at least be slightly more reachable. Ideally, organic reach should tap into

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<sup>9</sup> <http://valleywag.gawker.com/facebook-is-about-to-make-everyone-pay-1547309811>

<sup>10</sup> <https://twitter.com/rainnwilson/status/448522571206893568>

<sup>11</sup> <http://time.com/34025/the-free-marketing-gravy-train-is-over-on-facebook/>

somewhere between 10 to 25% of a Page's total "Likes" as to give small business a chance at least to grow into one of those highly visible viral content creators.

But maybe the best strategy for small and medium-sized businesses is to begin looking outside of Facebook and into other social networks such as Twitter, LinkedIn or even Google Plus to aid in online marketing and advertising.

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