Analysts See Revenue Potential in Facebook's New Search Tool

Reuters

Facebook Inc's new search tool has strong potential to generate revenue for the social networking company but it is unlikely to challenge Google Inc's supremacy in web search at least in the near term, analysts said on Wednesday.

The "graph search" tool, unveiled on Tuesday, lets users trawl their network of friends to find everything from restaurants to movie recommendations and marks Facebook's biggest foray into online search.

"We see some highly monetizable category suggestions for Graph Search (restaurants nearby, games), and it should be easy to incorporate commercial search results via Facebook's partnership with Bing," BofA Merrill Lynch analysts said in a note.

Facebook currently has a partnership with Microsoft Corp, whose Bing search engine provides search results for external websites. Microsoft also integrates certain Facebook results into its Bing search results.

The brokerage estimated Facebook could add $500 million in annual revenue if it can generate just one paid click per user per year, and raised its price target on the stock by $4 to $35.

"As of now, we do not see Graph Search as a threat to Google Web search. Looking forward, Facebook Graph searches could be competitive with certain categories of Google searches, such as Places & Maps," the brokerage said.

Google has been trying to combine social networking and search for more than a year by integrating Google+ into its search engine.

Facebook's shares were nearly flat in premarket trading on Wednesday, as the rollout of the search tool fell short of some of the more optimistic predictions including that the company would introduce its own smartphone or an Internet search engine.

The company's shares have jumped about 50 percent since November after months of weakness following its bungled Nasdaq listing in May. They closed down 3 percent at $30.10 on Tuesday.

Mark Zuckerberg, Facebook's 28-year-old founder and chief executive, stressed that users can sort through only content that has been shared with them, addressing privacy concerns.

"Graph Search has broad monetization potential across a spectrum of new opportunities, but monetization will take time," Jefferies & Co analysts said.

The brokerage said graph search in its current form, with its relatively narrow scope, limits overlap with Google and has more potential overlap with the likes of Yelp Inc and IAC/InteractiveCorp's Match.com.

(Reporting by Sayantani Ghosh in Bangalore; Editing by Sriraj Kalluvila)

Source URL (retrieved on *10/20/2014 - 6:03am*):
http://www.wirelessdesignmag.com/news/2013/01/analysts-see-revenue-potential-facebooks-new-search-tool?qt-most_popular=0