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ACCOUNTING

The FaceBook IPO – The Bleeding Edge Blog

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Dave McClure • May. 23, 2012



All in all, I was pretty unimpressed by the FaceBook IPO last Friday (NASDAQ: FB). Biggest tech IPO ever? Wait a year and see whether it holds up as well as Google. Lots of millionaires and billionaires? We'll see if they still are when they are permitted to cash out.

In truth, the IPO was a lot less interesting than the two major side shows that went with it.

The first of these is the story that Eduardo Saverin, a minor partner in the firm who has announced he will give up his US citizenship in order to save \$600 million in taxes. The outrage his correct reading of the tax code is coming mostly from members of Congress, those who created this bloated, loophole-laden laws they now profess to lament.

He should have contributed to their campaigns and avoided all of this dissension.

Then there is the matter is the of GM pulling its ad budget for FaceBook the morning of the IPO. That decision followed months of discussions between the two firms and a difficult decision to pull back some of the GM ad budget while they work on new ad formats for the future.

Sure. When pigs fly.

I've kicked around with and worked for ad agencies most of my adult life. And the message GM sent to Mark Zuckerberg was only a little less subtle than a dead fish wrapped in newspaper. The message is a response to three things:

- Zuckerberg and his team either didn't know, or were too arrogant to care, that in advertising the client is always right. Always. Even when they are wrong. Advertising is no career for those invested with an ego.
- FaceBook has an ad system best described as immature and ineffective. Instead of working to improve on that, Zuckerberg reportedly lectured GM about their lack of social media skills. Truth is if FaceBook does not get better, fast, GM will not be the last major advertiser to depart.
- FaceBook was said to be planning a rate hike following its IPO. For a company like GM, already struggling to understand the FaceBook return on investment, that's pouring salt on the wounds.

The FaceBook IPO is in many ways the answer to a blogger's dreams. Forget the money raised — the sideshow are the best entertainment in the tech industry today.

(Note: After debuting on the NASDAQ at about \$40 per share last Friday (May 18, 2012) and climbing during the day to as high as \$42, investors have seemingly retreated, with the closing share price on Wednesday, May 23, at \$32.00.)

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