



Facebook, Inc.'s Latest Scandal: What it Means for Investors

Description

Facebook, Inc. (NASDAQ:FB) saw its share price plummet 7% on Monday, as the company came under fire for how it manages and protects user data, yet again. We recently learned that Cambridge Analytica, a political data firm, obtained information on as many as 50 million Facebook accounts, which included very private and sensitive data.

There are also concerns that the company, which was hired by President Trump and aided him during the 2016 election, may have ties to Russia. Facebook has already been involved in a scandal tied to the election; fake ads infiltrated its network and are believed to have targeted and swayed potential voters.

Facebook has responded by saying it will hiring an investigator to look into the matter, but that will do little to improve the brand's damaged image.

Consumers are more alert than ever of fake news, fake ads, and the overall security and privacy of their information. Data being compromised is unfortunately not a new phenomenon anymore, and even a once-trusted company like **Equifax Inc.** ([NYSE:EFX](#)) failed to protect its user data after a breach last September.

Why security has to be of key importance

Ultimately, if users don't feel a site can be trusted to hold their information, it's going to be an uphill battle to convince users to stay active. While user growth and sales are of utmost importance to investors, that's also why privacy-related matters like this weigh heavily on the markets, since it's likely to lead to a drop in users, and advertisers may prefer to use other, more reputable sites.

In both the cases of Facebook and Equifax, the companies failed to be upfront with the public, and information has only come out well after the fact. And although Facebook says this was not a breach and rather a misuse of data, the end result is still the same for its users: sensitive data is not being adequately safeguarded.

Since the data breach, Equifax's stock has declined 13%, and that is after a recovery after the big sell-

off that ensued immediately after the news hit.

An opportunity for companies that focus on security

In light of this latest issue surrounding security and safety, it could bring up the value of a stock like **BlackBerry Ltd.** ([TSX:BB](#))([NYSE:BB](#)), which has positioned itself as brand that's focused on cyber security. The once-popular handheld maker has reinvented itself, and while its new business model is still [evolving](#), it has already won the trust of the U.S. government and [will provide it with encrypted tools](#).

BlackBerry also recently announced it would partner with **Microsoft Corporation** ([NASDAQ:MSFT](#)), where it would allow the tech giant's cloud applications, including Microsoft Office, to use BlackBerry's framework. BlackBerry's Carl Wiese, president of Global Sales, stated that "We saw a need for a hyper-secure way for our joint customers to use native Office 365 mobile apps."

Takeaway for investors

In a world where there's lot of mistrust of websites, news, and media, image is everything. And by winning the trust of big brands and even the government, BlackBerry is setting itself apart from the pack.

The big risk, however, is that all it takes is one scandal to shake a company's image; even the mighty have fallen.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:META (Meta Platforms Inc.)
2. NASDAQ:MSFT (Microsoft Corporation)
3. NYSE:BB (BlackBerry)
4. NYSE:EFX (Equifax Inc.)
5. TSX:BB (BlackBerry)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/16

Date Created

2018/03/20

Author

djagielski

default watermark

default watermark