



# CASE 10.1

## Facebook: Making the World a Little More Open

*According to ComScore, Canada is a world leader in Facebook usage. 83.1 percent of Canadian Internet users visit the social networking site, which is the highest in the world.<sup>1</sup>*



Mark Zuckerberg, founder and CEO of Facebook.

### SOMETHING FOR EVERYONE

Regardless of age or profession, what keeps users coming back to Facebook? The simple answer is each other. Facebook has the world's largest community of users, and love it or hate it, if you're looking to connect with someone, you'll probably find them on Facebook. In fact, the company boasts of the interconnectedness it creates: according to a recent press release, 99.6 percent of all pairs of Facebook users are connected by paths with five degrees of separation, and 92 percent are connected by only four degrees.<sup>2</sup>

Since 2004, Facebook has cleverly added feature after feature to ensure that its users don't need to leave the site to connect with each other. Beyond status updates and Wall posts, Facebook added its own private messaging system, Facebook Chat, and even recently unveiled in-site video chat through a partnership with Skype.

Noting that visitors to the site tripled after Facebook unveiled its international presence, the company has translated its content into 70 different languages. Because more than 80 percent of Facebook's 845 million users live outside the United States, Facebook has opted to simply translate its entire site for non-English speakers.<sup>3</sup> "Through the translations we are seeing mass adoption in those markets," said Javier Oliván, an international manager at Facebook, adding that because the site is, by its nature, a tool for communication, Facebook doesn't need to spend much energy localizing it. "The translation approach allows us to support literally every language in the world," he said.<sup>4</sup>

But the best potential for bringing users together lies in Facebook's ability to integrate applications, including ultra-popular games like Words with Friends, Gardens of Time, and The Sims. The site's photo viewing app, for example—the number-one photo sharing application on the web—receives more than 6 billion photos uploaded to the site each month.<sup>5</sup> Some 1 million developers and entrepreneurs from over 180 countries are involved in developing the Facebook Platform. More than 550,000 apps have been developed so far.<sup>6</sup> More than 95 percent of its members have used at least one application built on the Facebook Platform, and advertisers are betting that they can improve that statistic.<sup>7</sup>

## ADVERTISERS WANT TO CONNECT WITH YOU

Commercial marketers are taking note more closely than ever of Facebook's propensity for attracting page views, hoping to benefit from the halo effect surrounding such a successful brand. Facebook now accounts for about a third of all online ad impressions in the United States.<sup>8</sup> Companies are integrating their logos and brands into Facebook's built-in culture of sharing and sending. According to Derek Dabrowski, marketing director at Dr. Pepper Snapple Group, it's a success. In a promotion to give away 250,000 virtual Sunkist soft drinks, "We got 130 million brand impressions through that 22-hour time frame. A Super Bowl ad, if you compare it, would have generated somewhere between 6 to 7 million."

As much as advertisers need Facebook users' page views, Facebook needs those advertisers as loyal customers to make money. Rather than use banner advertisements, Facebook continues to experiment with ad concepts—first with "engagement ads," which appear on the basis of status changes, and now "featured ads," which appear directly in users' news feeds. Featured ads appear on behalf of a page users previously liked, and only pay for those specific impressions. Facebook defends the placement of featured ads in users' news feeds, claiming that the ads are more relevant because "[users are] seeing content from a page or person they have chosen to connect to."<sup>9</sup>

Facebook brand and artist pages and complementary ad space to promote it are the hottest ticket in brand marketing right now, along with the much sought after "Like" designation from users. They won't always be, and Facebook will have to maintain that front-runner status in plenty of advertising innovations down the road as the industry evolves faster than ever.<sup>10</sup> Facebook's strategic partnership with PayPal makes it quicker and easier to run campaigns on Facebook, especially for small and international companies. However, the pressure is on Facebook to continue to differentiate itself from other social networking sites, according to Jeff Ratner, a managing partner at WPP's MindShare Interaction. If not, "Facebook doesn't look that different," he said. "It just becomes another buy, and there are cheaper, more efficient ways to reach eyes."<sup>11</sup>

That may be the case, but advertisers have not been shy about utilizing Facebook: last year's ad revenue was \$3.2 billion, up 69 percent from the year before. In that time, Facebook delivered 42 percent more ads than the year before while simultaneously increasing ad rates 18 percent. Any way you look at it, ad revenue accounts for the largest slice of Facebook's profits. (Other payments, such as game fees from Zynga and other developers, accounted for the other 15 percent of Facebook's revenue.)<sup>12</sup>

## BECOMING A BETTER COMMUNICATOR

On several occasions during his reign as CEO of Facebook, the youthful Mark Zuckerberg has fought the common Silicon Valley stereotype of young CEOs who are brash and unripe to lead. His flat rejection of Yahoo!'s \$1 billion bid to buy Facebook was criticized by some at the time as a lost opportunity, so he's working to create a professional impression for his company by hiring some experienced web personalities. Zuckerberg persuaded Sheryl Sandberg

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to leave Google, where she had developed cash cows Adwords and AdSense, to join Facebook as chief operating officer. Fourteen years older than her boss, Sandberg is charged with bringing a mature personality to the laid-back, collegiate work environment.

To do this, she's integrated performance reviews, refined the recruiting model, and developed a mature, sustainable advertising program that will support Facebook as it evolves.

But for a company whose product is centred around communication and openness, critics charge that Facebook has been poor about communicating policy and privacy changes to users, even to the point of reorganizing and obscuring privacy settings. In an interview with *Ad Age*, Zuckerberg acknowledged a "natural tension" between maintaining Facebook's openness and the desire to give users control, and in the past he described privacy as an "evolving social norm."<sup>13</sup>

It's hard to tell how much of this talk is a result of Zuckerberg's known social awkwardness and how much is calculated. He told *The New Yorker* that privacy is the "third-rail issue" online. "A lot of people who are worried about privacy and those kinds of issues will take any minor misstep that we make and turn it into as big a deal as possible," Zuckerberg said. "We realize that people will probably criticize us for this for a long time, but we just believe that [openness] is the right thing to do."<sup>14</sup>

To add insult to injury, *The Social Network*, a movie about Facebook's controversial founding, hit theatres in 2010. Based on the book, *The Accidental Billionaires*, by Ben Mezrich, it describes Zuckerberg in less than flattering terms.<sup>15</sup> What does Zuckerberg think about the movie? "Honestly, I wish that when people tried to do journalism or write stuff about Facebook, they at least try to get it right," said Zuckerberg. He called the book the movie was based on a work of "fiction."<sup>16</sup>

## COMPETITION FOR CONNECTION

Myspace's popularity has long since gone by the wayside, but that doesn't mean that there aren't plenty of other services vying for users' time. While social networking sites like Twitter, Tumblr, and Pinterest don't offer a complete replacement for everything Facebook does, they have the advantage of simplicity. By choosing one or two core functions and continuously improving on them, they can capture a sizable audience. As of April 2012, Twitter said that it had over 500 million active users.<sup>17</sup>

Another competitor has emerged in Google+, a full-featured social media site from the search giant. Its major innovation is a feature called "circles," which allows a user to sort his or her friends into different groups based on what the user wants them to see, letting people rest easy knowing that those embarrassing pictures from Friday night won't be seen by co-workers or family. While the service has seen respectable growth since its introduction in June of 2011; CEO Larry Page recently claimed it had 90 million users.<sup>18</sup> A report from comScore said that users spent an average of just 3.3 minutes on the service in January 2012, compared to 7.5 hours for Facebook.<sup>19</sup>

## WHAT DO YOU THINK?

While there's no doubt that Facebook has brought users all over the world closer together, the management team of Facebook knows that they have serious work ahead in order to change the perception of users concerned about their online privacy. And while no direct competitor

to Facebook has emerged in recent years, the company knows it can't rest on its laurels. Will adding experienced management help bring the company into an era of improved communication with its users?

## QUESTIONS

1. Mark Zuckerberg may experience age stereotyping. Why? What are the characteristics of this type of stereotype? How can he overcome this?
2. Does Mark Zuckerberg use the elements of impression management? Why or why not?
3. Which of the Big Five personality traits does Mark Zuckerberg demonstrate? Provide examples to support your answer.
4. What personality type does Facebook most appeal to, and how does that affect its potential to broaden and diversify its consumer base?
5. Mark Zuckerberg is under a lot of pressure to have Facebook succeed. What stressors would he experience? How would you advise him to deal with the stress?
6. Sheryl Sandberg is under pressure to bring a mature edge to Facebook. What are the most significant challenges that she faces when communicating with her "young" boss and the firm's "younger" workforce? How might she best deal with them?
7. FURTHER RESEARCH – Find as much information as you can about Mark Zuckerberg and his communication skills. Is he considered a persuasive communicator outside of Facebook? Can you find examples of his conflict management style? Is he considered to be an effective negotiator?