

## FACEBOOK CASE STUDY

### Facebook vision

According to its owners, **Facebook**

*"Facebook is a social utility that helps people communicate more efficiently with their friends, family and coworkers. The company develops technologies that facilitate the sharing of information through the social graph, the digital mapping of people's real-world social connections. Anyone can sign up for Facebook and interact with the people they know in a trusted environment".*

### Latest updates to Facebook case study 2010

- **advice and examples of using Facebook Pages for Marketing**
- **Example Facebook Engagement ad campaign**
- You can access information about **Facebook Pages for Business** and **Facebook Advertising** from the Facebook site. It is also interesting to try the Lexicon to see what Facebook users are discussing".
- Privacy setting concerns - Autumn to 2009 to Spring 2010 In December 2009, Facebook implemented new privacy settings. This involved some information, including "lists of friends", to be "publicly available", when it was previously possible to keep access to this information restricted. The change also made photos and some personal information public unless users were sufficiently knowledgeable and active to limit access. Privacy campaigners including the Electronic Frontier Foundation and American Civil Liberties Union criticised the changes. In May 2010 further changes to the privacy settings were made to give users greater control and intended to simplify the settings.
- Read Dec 2008 interview with **Facebook CEO Mark Zuckerberg**
- **Facebook Updates on TechCrunch Crunchbase**

### Facebook launched and extended – February 4th 2004

Facebook was founded while Mark Zuckerberg was a student at Harvard University. Initially membership was limited to Harvard students. The initial viral effect of the software was indicated since more than half of the undergraduate population at Harvard registered on the service within the first month!

Zuckerberg used open source software PHP and the MySQL database to create the original "TheFacebook.com" site and these technologies are still in use today.

When Facebook first launched in February 2004, there were just three things that users could do on the site, although they are still core to the functionality of the site. Users could create a profile with your picture and information, view other people's profiles, and add people as friends.

Since 2004, Facebook has introduced other functionality to create the Facebook experience. Some of the most significant of these include:

- A Wall for posting messages
- News feeds
- Messages
- Posting of multiple photos and videos
- Groups
- Applications
- Facebook or Social Ads

### **Intellectual property dispute – September 2004 to ongoing**

There has been an ongoing dispute on ownership of Facebook since another Harvard-originated social networking site “HarvardConnection”, which later changed its name to Connect U, alleged in September 2004 that Zuckerberg had used source code to develop Facebook when they originally contracted him to help in building their site.

It is also alleged that another system predated Facebook. Aaron J. Greenspan, a Harvard student in 2003 created a simple web service that he called houseSYSTEM. It was used by several thousand Harvard students for a variety of online college-related tasks — six months before Facebook started and eight months before ConnectU went online. Mark Zuckerberg was briefly an early participant. No suit has been filed by Greenspan, instead he has published a book about his experience.

It later expanded to include any university student, then high school students, and eventually to anyone aged 13 and over.

### **Facebook.com Brand identify established – August 23rd, 2005**

In August, Facebook bought the domain name facebook.com from the Aboutface Corporation for \$200,000 and dropped “the” from its name.

### **International expansion – December 11, 2005**

Throughout 2005, Facebook extended its reach into different types of colleges and by the end of 2005 included most small universities and junior colleges in the United States, Canada and Mexico. It was also made available in many universities in the UK and Ireland and by December, Australia and New Zealand were added to the Facebook network, bringing its size to more than 2,000 colleges and over 25,000 high schools.

Initial concerns about privacy of member data – December 14th, 2005

Two MIT students downloaded over 70,000 Facebook profiles from four schools (MIT, NYU, the University of Oklahoma, and Harvard) using an automated script, as part of a research project on Facebook privacy.

Facebook receives \$ 25 million in funding – April 2006. Microsoft invests October 2007.

In May 2005 Facebook received a \$13 million cash infusion from venture firm Accel Partners, followed in April 2006 by a further \$25 million last week from a range of partners including Greylock Partners, Meritech Capital Partners, and investor Peter Thiel, the co-founder of PayPal.

Facebook spokesman Chris R. Hughes explained the rationale for the investment when he said:

*"This investment supports our goal to build an industry-leading company that will continue to grow and evolve with our users. We're committed to building the best utility to enable people to share information with each other in a secure and trusted environment."*

Paul S. Madera, Meritech's managing director, said his firm was impressed by Facebook's rapid growth and its potential for further expansion in the coveted college-age market.

*"They've been designated by their community as the chosen community portal," Madera said. "This is a company that the entire venture community would love to be a part of."*

In October 2007 Microsoft takes a \$240 million equity stake in Facebook. This stake was based on a \$15 billion valuation of Facebook. Under the terms of this strategic alliance, Microsoft will be the exclusive third-party advertising platform partner for Facebook, and will begin to sell advertising for Facebook internationally in addition to the United States.

### **New feed functionality launched – September 2006**

New information feeds were launched in mid 2006 and these show the challenges of balancing the benefit of new functionality against disrupting existing user habits.

Writing in the Facebook blog in September 2006 Mark Zuckerberg said:

*"We've been getting a lot of feedback about Mini-Feed and News Feed. We think they are great products, but we know that many of you are not immediate fans, and have found them overwhelming and cluttered."*

*Other people are concerned that non-friends can see too much about them. We are listening to all your suggestions about how to improve the product; it's brand new and still evolving".*

Later, in an Open Letter on the blog dated Sep 8, 2006, Zuckerberg said:

*"We really messed this one up. When we launched News Feed and Mini-Feed we were trying to provide you with a stream of information about your social world. Instead, we did a bad job of explaining what the new features were and an even worse job of giving you control of them. I'd like to try to correct those errors now".*

Categorising friends into different types (Friends Lists – December 2007) is one approach that has helped to manage this.

### **Facebook Platform for applications launched – May 24th 2007**

The Facebook Platform provides an API (Application Programming Interface) which enables software developers to create applications that interact with core Facebook features.

The **Facebook developers resource** explains there are three main components used to build FB apps:

1. Interface (API). The Facebook API uses a REST-based interface. This means that our Facebook method calls are made over the internet by sending HTTP GET or POST requests to our REST server. With the API, you can add social context to your application by utilizing profile, friend, photo, and event data.
2. Query (FQL). Facebook Query Language, or FQL, allows you to use a SQL-style interface to more easily query the same data that you can access through other Facebook API methods.
3. Facebook Markup (FBML). FBML enables you to build full Facebook Platform applications that deeply integrate into a user's Facebook experience. You can hook into several Facebook integration points, including the Profile, Profile Actions, Canvas, News Feed and Mini-Feed.

By January 2008, Over 18,000 applications have been built on Facebook Platform with 140 new applications added per day. More than 95% of Facebook members have used at least one application built on Facebook Platform.

According to the **Facebook Applications Directory**, listing, in February 2008, the most popular FB applications were:

1. FunWall. Videos, Photos, Graffiti, Greeting Cards, Flash Embeds and more! 2,254,075 daily active users
2. Who's in your Top Friends? Add your Best Friends to your profile! 1,956,803 daily active users
3. Super Wall Share videos, pictures, graffiti, and more with your friends! 915,832 daily active users
4. Bumper Sticker, Stick your friends with funny stickers! 891,230 daily active users
5. Friends For Sale! Buy and sell your friends as pets! 585,153 daily active users
6. Scrabulous. Play Scrabulous (Scrabble) within Facebook 632,372 daily active users
7. Texas HoldEm Poker. Play Texas Hold'Em with your FB friends. 557,671 daily active users
8. Movies. Compare your taste in movies with friends. 528,996 daily active users
9. Compare People. Find out who stands where in various categories: cutest, sexiest, smartest and many more. 428,432 daily active users
10. Are YOU Interested? FUN application to see who is interested in YOU! 486,459 daily active users

Some applications have been accused of FB Application Spam, i.e. "spamming" users to request that the application be installed.

**Facebook Platform for mobile applications was launched in October 2007.**

Although many Facebook users already interacted with their friends through mobile phones.

**Facebook statistics - passes 30 million active users – July 2007**

Facebook active users passed 30 million according to the Facebook blog in July 2007. **Mashable reported** that this represented a doubling in the first part of 2007).

Data produced by querying the **Facebook ad targeting tool** completed in November 2007 by blogger PK Francis suggests that the **majority of Facebook users in many countries are female**.

In terms of user engagement metrics, **Facebook statistics** shows there are:

- 68 million active users
- An average of 250,000 new registrations per day since Jan. 2007
- Sixth-most trafficked site in the United States (comScore)
- More than 65 billion page views per month
- More than half of active users return daily
- People spend an average of 20 minutes on the site daily (comScore) Advertisers assess reputational damage – Summer 2007

In August 2007, the BBC announced that six major mainly financial services firms (First Direct, Vodafone, Virgin Media, the AA, Halifax and the Prudential) had withdrawn advertisements from the networking website Facebook, after they appeared on a British National Party page.

At a similar time, bank HSBC was forced to respond to groups setup on Facebook criticising them for introduction of new student banking charges (although not until the case had been featured in the national media).

### **Facebook Ads launched – November 7th 2007**

Some of the features of **Facebook ads** include:

- Targeting by age, gender, location, interests, and more.
- Alternative payment models: Cost per Click (CPC) or impression based (CPM).
- “Trusted Referrals” or “Social Ads” – Ads can also be shown to users whose friends have recently engaged with a companies Facebook Page or engaged with the company website through Facebook Beacon.

At the time of the launch the Facebook blog made these comments which indicates the delicate balance in getting the balance right between advertising revenue and user experience. They said first of all, what's not changing:

- “Facebook will always stay clutter-free and clean.
- Facebook will never sell any of your information.
- You will always have control over your information and your Facebook experience.
- You will not see any more ads than you did before this”.

And what is changing:

Here's what is changing:

- “You now have a way to connect with products, businesses, bands, celebrities and more on Facebook.

- Ads should be getting more relevant and more meaningful to you.
- You now have the option to share actions you take on other sites with your friends on Facebook” (these were originally implemented as “social ads” and were based on a piece of technology known as “Beacon” that tracks purchases or reviews made by Facebook users on outside sites, then reports these purchases to those users’ friends on was introduced).

Commercial companies or more commonly not-for-profit organizations (e.g. <http://www.facebook.com/joinred>) can also create their own Facebook pages (currently free). Facebook users can then express their support by adding themselves as a fan, writing on the company Wall, uploading photos, and joining other fans in discussion groups. When users become Fans, they can optionally agree to be kept up-to-date about developments which then appear in their news feeds.

### **Privacy concerns sparked by “Beacon technology” – November 2007**

Facebook received a lot of negative publicity on its new advertising format related to the “Beacon” tracking system which by Mark Zuckerberg was forced to respond to on the Facebook blog (Dec 5, 2007). He said:

“About a month ago, we released a new feature called Beacon to try to help people share information with their friends about things they do on the web. We’ve made a lot of mistakes building this feature, but we’ve made even more with how we’ve handled them. We simply did a bad job with this release, and I apologize for it. While I am disappointed with our mistakes, we appreciate all the feedback we have received from our users. I’d like to discuss what we have learned and how we have improved Beacon.

When we first thought of Beacon, our goal was to build a simple product to let people share information across sites with their friends. It had to be lightweight so it wouldn’t get in people’s way as they browsed the web, but also clear enough so people would be able to easily control what they shared. We were excited about Beacon because we believe a lot of information people want to share isn’t on Facebook, and if we found the right balance, Beacon would give people an easy and controlled way to share more of that information with their friends.

But we missed the right balance. At first we tried to make it very lightweight so people wouldn’t have to touch it for it to work. The problem with our initial approach of making it an opt-out system instead of opt-in was that if someone forgot to decline to share something, Beacon still went ahead and shared it with their friends. It took us too long after people started contacting us to change the product so that users had to explicitly approve what they wanted to share. Instead of acting quickly, we took too long to decide on the right solution. I’m not proud of the way we’ve handled this situation and I know we can do better.”

### **New friends list functionality launched – December 2007**

A criticism leveled at Facebook has been the difficulty in separating out personal friends and business acquaintances.

In December 2007, Facebook launched a significant new functionality called Friend Lists to enhance the user experience. Friend Lists enables users to create named groups of friends in particular categories, e.g. business or personal and these private lists can be used to message people, send group or event invitations, and to filter updates from certain groups of friends.

### **December 2007 / January 2008 – First drop in numbers using Facebook and new data centres to manage growth in users**

Application spam has been considered one of the possible causes to the drop in visitors to Facebook starting from the beginning of 2008, when the website's growth had fell from December 2007 to January 2008, its first drop since the website first launched.

To put this in context, the Facebook blog reported at the end of 2007, that nearly two million new users from around the world sign up for Facebook each week. This creates technical challenges – the blog reported that at end of 2007 full capacity was reached in their California datacenters. They explained that in the past they had handled this problem by purchasing a few dozen servers, but this time they had run out of physical space in our datacenters for new machines. But now Facebook assigns a user logging on to a relevant data center – users in Europe and the eastern half of the US are connected direct them to a new Virginia data centre whenever they're browsing the site and not making any changes otherwise users are connected to California.

### **Facebook expands internationally – February 2008**

Despite the hype generated amongst English speakers, Facebook only announced the launch of a Spanish site in February 2008 with local language versions planned for Germany and France. It seems that Facebook will inevitably follow the path taken by other social networks such as MySpace in launching many local language versions.