

Company Case Facebook: Making the World More Open and Connected

The world has rapidly gone online, social, and mobile. And no company is more online, social, and mobile than Facebook. In spite of the growing number of social media options, Facebook continues to dominate. In little more than a decade, it has accumulated more than 1.6 billion active monthly users—more than 20 percent of the world's total population—and some 1.5 billion people now access the network on a mobile device. More than a billion Facebook members already log on daily, and five new Facebook profiles are created every second. In the United States, more collective time is spent on Facebook than on any other website. Together, the Facebook community uploads 350 million photos, “Likes” 4.5 billion items, and shares 4.75 billion pieces of content daily.

Having achieved such phenomenal impact in such a short period of time, Facebook's success can be attributed to tenacious focus on its mission—“to give people the power to share and make the world more open and connected.” It's a place where friends and family meet, share their stories, display their photos, pass along information, and chronicle their lives. Hordes of people have made Facebook their digital home 24/7.

From Simple Things

Initially, carrying out this mission was relatively simple. When CEO Mark Zuckerberg and friends launched “thefacebook.com” in 2004, it was for Harvard students only. Still, with its clean design (“No Disneyland, no ‘Live nude girls.’”), the fledgling site attracted a lot of attention when it racked up more than 1,200 registered users by the end of the first day. Within the first month, more than half of Harvard's undergraduate student body had joined. The massive response demonstrated tremendous untapped demand. At first, the social network grew one university campus at a time. But it wasn't long before Facebook was open to the public and people everywhere were registering by the millions.

As it grew, Facebook's interface was a work in progress. Features were added and modified in order to appeal to everyone. The network's growth and development also gave it the ability to target specific kinds of content to well-defined user segments. However, Facebook's “all things to all people” approach left many users, especially younger ones, visiting Facebook less and shifting time to more specialized competing social networks. To meet that growing threat, Facebook shifted gears from a “one site for all” approach to a multi-app strategy of providing “something for any and every individual.” According to Zuckerberg, “Our vision for Facebook is to create a set of products that help you share any kind of content you want with any audience you want.”

As the first move under its multi-app strategy, Facebook paid a then-stunning \$1 billion to acquire Instagram, the surging photo-sharing app. Although Facebook already had its own photo-sharing features, the Instagram acquisition brought a younger, 27-million-strong user base into the Facebook fold. And rather than incorporating Instagram as just another Facebook feature, Facebook maintained Instagram as an independent brand with its own personality and user base. Instagram and Facebook customers can choose their desired level of integration, including Instagram membership without a Facebook account. “The fact that Instagram is connected to other services beyond Facebook is an important part of the experience,” says Zuckerberg.

Not long after the Instagram acquisition, in its quest to add unique new products and user segments, Facebook announced the creation of Creative Labs, a Facebook division charged with

developing single-purpose mobile apps. It also unveiled the new division's first product—Paper, a mobile app that provides easy and personalized access to Facebook's News Feed. Although the core Facebook mobile app already provided access to this content, Paper let users organize the feed by themes, interests, and sources, serving it all up in a full-screen, distraction-free layout.

On the heels of Paper came another stunning Facebook mega-acquisition. Dwarfing its Instagram deal, Facebook paid a shocking \$19 billion for standalone messaging app WhatsApp. Facebook's own Messenger had already grown quickly to 200 million users. But similar to Instagram, WhatsApp immediately gave Facebook something it could not easily build on its own—an independent brand with more than 450 million registered international users, many of whom were not on Facebook.

By developing and acquiring such new products and apps, Facebook is doing what it does best—growing its membership and giving its diverse users more ways and reasons to connect and engage. Facebook's fuller portfolio lets users meet their individual needs within the broadening Facebook family.

To the Stratosphere

As Facebook develops more reasons for more users to connect and engage, it also pursues technologies that might leave some observers scratching their heads. For example, a few years ago, the social media giant paid \$2 billion to acquire Oculus VR, the virtual reality start-up. In the past year, Facebook has also developed its own 360-degree stereoscopic 3D video camera with 17 lenses—a device it calls Facebook Surround360. Why these acquisitions and developments? According to Zuckerberg, it has to do with “first steps.”

When Zuckerberg took his first steps, his parents noted the event in his baby book. When one of his cousins first walked some time later, Mom and Dad captured the moment with a photo. When his niece learned to walk, the video camera was rolling. But for his own daughter, Zuckerberg wanted to take it to the next level. “When Max takes her first step, we'll be able to capture the whole scene, not just write down the date or take a photo or take a little 2D video,” Zuckerber says. “The people we want to share this with... can go there. They can experience *that moment*.”

Zuckerberg's wanting to broadcast his daughter's first steps as though others were there is just one more example of how Facebook constantly focuses on its central mission—to connect the world. “Over time, people get richer and richer tools to communicate and express what they care about,” says Zuckerberg. Facebook anticipates that this kind of video could lead to an entirely new mode of communication, one that could extend to Facebook's own Oculus virtual reality headset.

As much as 3D virtual reality video sounds like a long shot, it's easy pickings compared to Facebook's biggest current initiative. Zuckerberg has been spanning the globe, addressing everyone from global leaders to fellow entrepreneurs and making a case for what he sees as the most critical social endeavor of our time—making the internet a basic human right, like health care or clean water. As he tells it, lack of free and open access to information is the greatest barrier to prosperity for the world's impoverished. Yet almost 5 billion people are not yet connected to the internet. Zuckerberg and the Facebook team aim to eliminate that barrier by making the internet accessible to all.

To this end, Facebook has created its own innovation think tank called the Connectivity Lab. This group will have a satellite

orbiting above sub-Saharan Africa within a year. But satellites are expensive, so the group is also working on other options. The most promising option is known internally as Aquila—a sleek, boomerang-shaped drone that has the wingspan of a Boeing 737, weighs less than 1,000 pounds, and can stay aloft at 65,000 feet for months at a time. Soon to be tested, Aquila will receive radio signals from a ground station, relay those signals via lasers to transponders on the ground, and convert the signals to Wi-Fi or 4G networks. Facebook's vision is to eventually have 10,000 Aquilas flying the friendly skies around planet earth.

Giving It All Away

Although Facebook spent more than five years building its user base and paying almost no attention to generating income, it is now making up for lost time. In the past five years, Facebook's revenues have gone viral—from \$2 billion to \$18 billion, a ninefold increase to its top line. With a 20 percent margin, its bottom line isn't doing too badly either. And although Facebook has experimented with various ways to generate income, the vast majority of its income comes via tried-and-true online advertising.

With all the development of fancy technologies such as drones, lasers, virtual reality, and 3D video, you might think that Facebook intends to diversify into new businesses that could generate cash and profits. But nothing could be further from the truth. In fact, as Facebook launches these and other technologies, it is giving away the designs for free. Years ago when Facebook built its own servers and data centers, it promptly open-sourced the designs and let the world have them for nothing. It did the same with big data analytics tools such as Cassandra and Hadoop. Although that might seem like throwing away money, it's right in line with Facebook's mission. Whereas most companies define themselves by a craft, such as making the best consumer electronic gadgets or solving companies' efficiency problems, Facebook has been built around a single-minded goal of connecting everyone in the world and giving them the tools they need "to share anything and everything in a natural way."

For that reason, Facebook focuses on what it does best—being the best social network. Rather than becoming distracted by developing multiple business units and trying to make money through diversified means, it remains focused on building its user base and treating its core social media products as works in process. To those who view the projects coming out of the Connectivity Lab as unrelated, Zuckerberg points out, "They're actually incredibly focused in terms of the mission. The real goal is to build the community. A lot of times, the best way to advance the technology is to work on it as a community."

With many companies already working on the very technologies that Facebook is trying to advance, it might seem that Facebook isn't adding much. But Zuckerberg is impatient, and he feels that the tech world is providing too little, too late. For example, Facebook's laser drones will be able to shower entire rural

areas, villages, and cities with extremely high bandwidth at higher speeds with more economical costs than the systems currently being employed and developed by telecom companies. "We need certain technologies to exist in the world, so we will build those," says Zuckerberg. "We're not selling [servers] or cameras or connectivity services. But if no one else is building them, we're going to."

Whatever its future, Facebook seems to have barely scratched the surface when it comes to fulfilling its mission. Its new multi-app, multi-segment strategy, combined with its massive, closely knit social structure, gives Facebook staggering potential. And moving the world toward internet access for all will help make Facebook's portfolio of apps and products available to everyone. For years, a popular saying around Facebook has been "We are one percent done with our mission." These days, those who manage Facebook might concede that they've made progress—say, to maybe 2 percent. For skeptics, consider how Facebook got started:

It was a few nights after [Zuckerberg] launched the website. He and his computer science buddy were getting pizza and talking. Zuckerberg told his friend that someone was going to build a social network, because it was too important not to exist. But he didn't guess, back then, that he'd be the guy to do it. There were older people and bigger companies. So why, then, was Zuckerberg the one to build Facebook? "I think it's because we cared. A lot of times, caring about something and believing in it trumps," he says. "I couldn't connect the dots going forward on Facebook from the beginning. To me, that's a lot of the story of [Facebook's future] too."

Questions for Discussion

- 2-18** Is Facebook's mission statement market oriented? Explain.
- 2-19** How is Facebook's strategy driven by its mission?
- 2-20** Is it wise for Facebook to give away its technologies for free? Why or why not?
- 2-21** As it moves forward in fulfilling its mission, what challenges does Facebook face in the future?

Sources: Based on information from Cade Metz, "How Will Zuckerberg Rule the World? By Giving Facebook's Tech Away," *Wired*, April 12, 2016, www.wired.com/2016/04/mark-zuckerberg-giving-away-facebooks-tech-free/; Jessi Hempel, "Inside Facebook's Ambitious Plan to Connect the Whole World," *Wired*, January 19, 2016, www.wired.com/2016/01/facebook-zuckerberg-internet-org/; Sarah Kessler, "With Paper, Facebook Stops Trying to Be Everything for Everyone," *Fast Company*, January 30, 2014, www.fastcompany.com/3025762/with-paper-facebook-stops-trying-to-be-everything-for-everyone; Josh Constine, "Zuck Says Ads Aren't the Way to Monetize Messaging," *Techcrunch*, February 19, 2014, www.techcrunch.com/2014/02/19/whatsapp-will-monetize-later/; and information from www.facebook.com/facebook/info/?tab=page_info and www.zephoria.com/top-15-valuable-facebook-statistics/, accessed June 2016.

MyLab Marketing

Go to **mymktlab.com** for the following Assisted-graded writing questions:

- 2-22** How are marketing departments organized? Which organization is best?
- 2-23** Explain the roles of market segmentation, market targeting, differentiation, and positioning in implementing an effective marketing strategy.