

## Chapter 16

# Facebook

Facebook is the leading social networking site (SNS) in the world, and its mission is to make the world more open and connected. It helps users to keep in touch with friends and family, and it allows them to share their opinions on what is happening around the world. Users may upload photos and videos, express opinions and ideas and exchange messages. Facebook is very popular with advertisers as it allows them to easily reach a large target audience.

The company was founded by Mark Zuckerberg (Fig. 16.1) in 2004 while he was a student studying psychology at Harvard University. Zuckerberg was interested in programming, and he had already developed several social networking websites for his fellow students including *Facemash* which could be used to rate the attractiveness of a person and *Coursematch* which allowed students to view people taking their degree.

Zuckerberg launched *The Facebook* (thefacebook.com) at Harvard in February 2004, and over a thousand Harvard students had registered on the site within the first 24 h. Over half of the Harvard student population had a profile on Facebook within the first month. The membership of the site was initially restricted to students at Harvard, then to students at the other universities in Boston and then to students at the other universities in the United States. Its membership was extended to international universities from 2005.

The use of Facebook was extended beyond universities to anyone with an email address from 2006, and the number of registered users began to increase exponentially. The number of registered users reached 100 million in 2008 and 500 million in 2010, and it exceeded 1 billion in 2012. It is now one of the most popular websites in the world.

Advertisements are a key source of revenue for Facebook. Advertisers may target users based on the information shared by each user, such as age, gender, location, education, work history and interests. Facebook offers development tools and application program interfaces (APIs) to enable developers to create applications that will easily integrate with Facebook. Millions of mobile apps and websites have been integrated with Facebook.

**Fig. 16.1** Mark Zuckerberg



Facebook offers an online payment service to enable developers to receive payment from the users, and payment revenue is an important source of Facebook's revenue.

Facebook has acquired more than 50 companies since its inception, and these include *WhatsApp* and *Instagram*. The acquisition of WhatsApp cost \$19 billion and the acquisition of Instagram cost \$1 billion.

## 16.1 The Facebook Business Model

Facebook's business model is quite distinct from that of a traditional business in that it does not manufacture or sell any products. Instead it earns its revenue mainly from advertisements, and its business model is based on advertisement revenue, with advertisements targeted to its over 1.3 billion users based on their specific interests.

Facebook has a powerful advertisement engine to generate revenue, and in contrast to a traditional company that sells products, Facebook is essentially selling its users to advertisers. The Facebook service is free to its users (as the users are essentially the product that is being offered to its customers, i.e. the advertisers). The users really do all the work, and Facebook collects data about them and classifies and categorises them, so that it is in a position to target advertisements that will potentially be of interest to them, so the advertisements are targeting the right audience.

It earns revenue from each advertisement, and its business model has been highly successful. The company has annual revenue of over \$7.5 billion and net income of roughly \$1.5 billion.

The success of Facebook in creating a vast consumer company is impressive, especially, given that it has been achieved without any manufacturing, distribution or person-to-person sales.

## 16.2 Facebook Acquisitions

Facebook has acquired over 50 companies since its inception, and these acquisitions have allowed it to grow in other areas of social networking and to develop other revenue streams apart from its core advertising model. Its acquisitions include well-known companies such as Instagram and WhatsApp, and many of these companies have grown rapidly since becoming part of the Facebook family.

Instagram is an online mobile photo-sharing, video-sharing and social networking site. It allows its users to take pictures or videos and to upload them to the Instagram site and to share them on a variety of social media platforms such as Facebook and Twitter.

Instagram photos are confined to a square share and the maximum length of an Instagram video is 15 s. Instagram was acquired by Facebook for \$1 billion in 2012, and it has over 300 million active users.

Instagram became embroiled in controversy in early 2013, when it upgraded its terms and conditions to give it the right to sell user's photos and videos without notification and compensation. Instagram later issued a statement retracting the controversial terms.

Instagram's business model was initially quite weak, but it has adopted an advertisement-based business model, where it will start showing advertisements in its news feed. Video advertisements are also supported in its Instagram feeds.

WhatsApp is one of the largest and fastest growing mobile messaging platforms in the world. It allows instant messaging for smartphones and operates under a subscription model, where hundreds of millions of users pay to use its service.

The subscription fee charged is quite small, and as there are hundreds of millions of users, the annual revenue is quite large. The WhatsApp may send text messages, pictures, videos and audio media messages. It is one of the most popular messaging apps with over 600 million users around the world. It was acquired by Facebook for \$19 billion in 2014.

## 16.3 The Facebook Revolution

Social media (especially Facebook and Twitter) have become important communication channels for educated young people to discuss their aspirations for the future, as well as their grievances with society and the state. The effectiveness of Facebook as a tool for protests and revolution is evident in the relatively short protests that culminated in the resignation of President Hosni Mubarak of Egypt in 2011.

Egypt was granted limited independence from Britain in 1922, and full independence was granted in 1936. British forces were allowed to remain in the Suez Canal zone until 1956.

Egypt has a young population with roughly 60 % of the population under the age of 30, and the country has faced many challenges since independence in improving education and literacy for its young population, as well as finding jobs for its citizens.

Facebook provided a platform for Egyptian youth to discuss issues such as unemployment, low wages, police brutality and corruption. Young Egyptians set up groups on Facebook to discuss specific issues (e.g. a group that aimed to provide solidarity with striking workers was set up). Further momentum for revolution followed the beating and killing of Khalid Mohammed Said, as photos of his disfigured body were posted over the Internet and went viral. An influential Facebook group called *We are All Khalid Said* was set up, and the killing provided a tangible focus for solidarity among young Egyptians.

The protests lasted for 18 days and it led to hundreds of thousands of young Egyptians taking to the streets and gathering in Tahrir Square in Cairo. They demanded an end to police brutality as well as the end of the 30 year reign of President Hosni Mubarak. The authorities reacted swiftly in closing down the Internet in Egypt, but this act of censorship failed to stop the protests against Mubarak, and social media played an important role in influencing the outcome of the revolution.

The protesters found other means of communication with the outside world, and especially with members of the Egyptian diaspora who were watching the news on Al Jazeera's news channel. The diaspora were active in communicating the latest developments to their friends and family in Egypt.