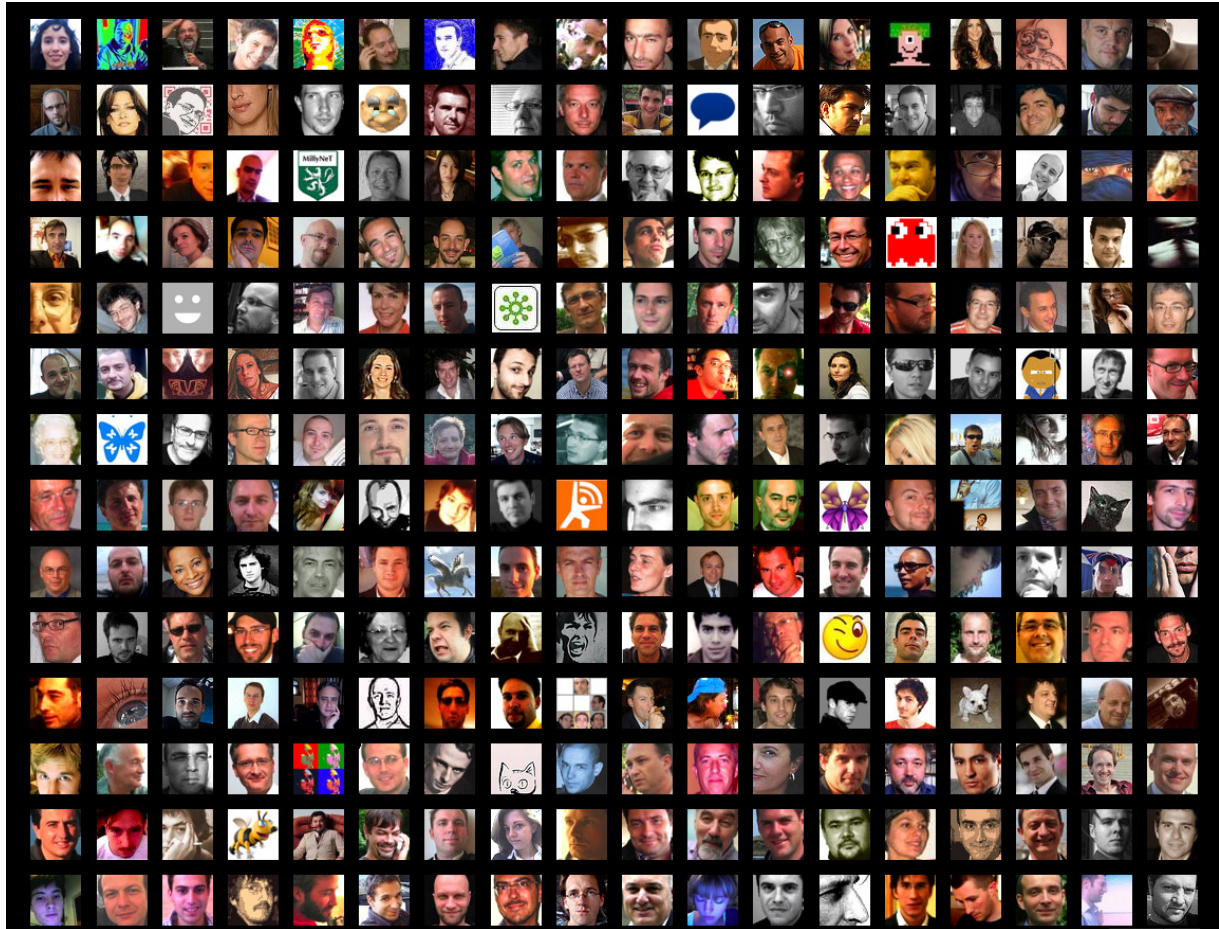


The Future of Facebook

From social networks to customer communities

Peter Fisk



You can poke and chest bump, play scrabble or throw a sheep, buy or person or an entire city, tell the world all about you, and share your most intimate moments.

Facebook.com was established by a 20 year old Harvard psychology undergraduate, Mark Zuckerberg in 2004. This was not his venture, having already developed Synapse, a software device that generated music playlists based on user's previous listening behaviours, and for which Microsoft had big \$2 million.

On arriving at Harvard, the previous September, he had created a site called facemash.com which allowed students to vote on the relative attractiveness of their peers, but was quickly closed down by the University management.

He then turned his attention to replicating the physical "Facebook" which all new students regarded as the essential guide for getting to know people when they first arrive at college. Each student spent hours perfecting their profiles – personal details, previous schools and experiences, hobbies and interests, favourite bands and movies, and the all important photos of themselves. You could check out that person in your economics lecture, find somebody to go running with, or who you fancied making friends with. Surprisingly nobody had created an online version, or connected colleges and universities together.

Zuckerberg set to work, and in February 2004 launched thefacebook.com which later became facebook.com. Within 3 weeks he had 10,000 registered users, and within another 2 weeks he had

opened up the site to the likes of Yale and Stanford. By June, Facebook had spread across 30 universities and had 150,000 obsessed student users, checking each other out, and getting connected. All of this was achieved for \$85 per month, the cost of renting one server.

Perhaps not surprisingly, Zuckerberg dropped out of his psychology studies, with more lucrative paths to follow.

The business grew rapidly beyond its original purpose. Within a year it had 5 million active users, as it was opened up to other colleges and high schools across America, and then around the world. By 2006 non-students had jumped on the social networking bandwagon. Whilst 75% of its registered users were in the 25-34 year old group, significant numbers of older users were joining up too, either to find lost and new friends, or for business connections too.

Within another year, the website had 10 million users, and was now challenging MySpace to become the world's largest online social networking site.

Communities within the registered users grew rapidly – users joining together with work colleagues to form employee groups, or sharing a common social interest, or physical location, or supporting a common lobbying point. There are groups covering everything from the state of the chicken nugget to the vagaries of Adam Smith's moral philosophy. They can be open or closed groups, and these more than anything, activated people into making more connections, logging on more frequently to see what people were doing, and expressing their own views to their chosen worlds.

On 24 May 2007 Zuckerberg stunned the technology world by announcing that he was opening the site to third party developers – and thereby giving them instant access to its huge youthful, desirable networked audience. The media called it the birth of “the Facebook economy”. For users it meant a huge choice of rich interactive content as developers fought to gain a presence.

It transformed Facebook from a popular online meeting place, to a technological platform on which anybody could instantly do business. Within 9 months of “opening up”, over 14,000 applications from third party developers were live on Facebook – most started as games, from online scrabble which could be played across the globe by 15 million people, to new virtual economies in people bought and sold their names and relationships. The applications don't simply serve individuals but are typically designed creative ways to embrace and encourage connections.

Robert Moore, founder of 3Com once estimated that the power of a network is proportional to the square of it users. So as the users grew, the effect grew much faster. Record companies set up fan groups and pre-launched new releases to this highly influential community, market researchers strove to enrol target audiences to learn more about them, and rivals looked in awe at the speed of exponential growth.

By mid 2008, with almost 125 million active users (up 160% on the previous year), Facebook was handling around 1 billion searches and over 50 billion page views every month. It had become the fifth most popular website in the world, and in some countries such as Turkey, was even more popular than Google. People upgraded their mobile phones and Blackberries, because they couldn't bare to be away from Facebook for a few hours.

Many expected Facebook to be snapped up by one of the leading technology players who were now recognising the impact of social networks in a similar way to when they missed the importance of search engines. Microsoft invested \$240 million for a small share, but Zuckerberg said he was not selling out, merely investing to make his embryonic site even better.

Wharton marketing professor, Peter Fader, describes Facebook as “like the Qwerty keyboard – there's nothing particularly special about it, but it came along at the right time and pace. At some point that standard just becomes locked in”.

However previous social networking sites have been inherently unstable. Five years ago everyone was talking about Friendster, and then MySpace became the people's choice. Then when Facebook became the place to go everyone migrated across. Whilst Facebook has much better connections and content, and is simpler and more secure to use, it is still in its infancy.

Maybe Facebook will define the standards for the networked economy, a decade after it was first trumpeted. How a social network will coexist alongside commercial enterprises is still unclear, as is whether this will become the platform for achieving it.

Zuckerberg, is continuing to innovate with confidence. The twenty-something Harvard drop-out has already created a business valued at \$15 billion. That's nothing to throw a sheep at.

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Peter Fisk is an inspirational author and speaker, consultant and entrepreneur. His best-selling book *Marketing Genius* has been translated into 28 languages, and he was recently described by *Business Strategy Review* as "one of the best new business thinkers". His new book *Business Genius* describes the challenge of sustaining business growth through turbulent times.

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