

TECHONOMY

TECHONOMY 2012 • NOVEMBER 11 – 13 • TUCSON, AZ

The Facebook Effect, Continued

Speakers:

David Fischer, Facebook
Sam W. Lessin, Facebook

Interviewer:

David Kirkpatrick, Technomy

Video:

<http://technomy.com/2012/11/technomy-2012-the-facebook-effect-continued>

Kirkpatrick: Now I'm very excited about this next session for obvious reasons. David and Sam, come on out.

Facebook is a subject of some interest. Even if I hadn't written a book about it, I would be super interested in it at this particular moment in time. Which was not a given in 2006, when I first got super interested in it.

David Fischer, welcome. Sam Lessin, I haven't seen you till now, but it's great to have you here. I've seen you plenty of times before, but not in Tucson.

Lessin: It's good to be here.

Kirkpatrick: Briefly, let me tell you who these guys are. David Fischer is in charge of all advertising at Facebook. He also had a big ad job at Google before that. He also was in the Treasury Department and had been a journalist in his early stage—

Fischer: Reformed journalist.

Kirkpatrick: I didn't know you had been a journalist until I was preparing for this. So congratulations on that.

Fischer: Thank you.

Kirkpatrick: Sam went to college with Mark [Zuckerberg]. He was a year ahead of him. He advised Mark even in the earliest days of Facebook. When I wrote my book, he had some great anecdotes and insights into what was really going on back in the Harvard days. If you really want to know how accurate the movie is, this is the guy that could tell you—and has told quite a few people. But anyway—we could even ask that if we want.

Then Sam came out of college, worked for Bain & Company, did a bunch of things, but started a company called drop.io, which was a storage in the cloud company, with a lot of ramifications for what Gordon was talking about just know. I don't know if you had a chance to listen to him.

Lessin: Yeah.

Kirkpatrick: I know you know Gordon. But now Sam is—drop.io was bought by Facebook. Sam is working closely with Mark and basically came up with the idea for the Facebook Timeline. And along with David and a small number of others is a member of what they call the “M team,” the management team at Facebook, which is the group that runs the whole company day in and day out.

So this is an unusual, and I believe unprecedented session, to have one of the top product people and the top ad person together to talk about where Facebook is heading.

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Let me first start by asking, that is significant of sort of a change the company has been going through; is it not? You know, that you are now emphasizing that there is a revenue aspect to the product process.

Fischer: Yeah, I think what we've been doing, and I think to a certain extent that hopefully you guys have been seeing, is making some really good progress on a lot of fronts, but including them around the modernization side. There's been a lot of focus on mobile in particular, and we really see mobile as a huge opportunity. I hope we'll have a chance to talk about that a little bit more.

But the couple things to stress is what hasn't changed at the company is one of our core values forever as a company, and forever being almost nine years, but in our history has been "move fast." It's one of the five values of the company, being able to move fast.

So when we see opportunities, we really pride ourselves and basically evaluate ourselves on how quickly we can move to seize opportunities.

So over the course of this year, a number of things that we've introduced about ads into News Feed and mobile and going from no mobile revenue to 14 percent of our ads revenue in Q3. So we feel really happy about the progress we've made on that.

And I think the other side that is worth mentioning here that's really important is we think about these things not just—we think about the user experience and the monetization opportunities as either side of the same coin, in the sense that we really think that in the world that we're moving into, and as Facebook with so much time and attention that we get, that we have opportunities to really bring out new forms of marketing that are really effective. We're seeing great results to that.

We can also create a really good user experience. Part of the reason we haven't taken that step now to put ads in News Feed was we want to make sure we can balance that, have a great user experience and a great advertiser experience. We're pretty happy with what we've done so far.

Lessin: I'm really excited where we are as a company and being in this position where you think about what—take News Feed, for instance, the ideal newspaper is. Which is really the goal of News Feed. The idea is you pick up a newspaper in the morning. What if it was perfectly customized just for you, what would you see?

The answer is, the content coming from your friends, the people you have kind of asserted are important in your life is a huge percentage of it. But it's not the whole story.

There are plenty of brands and companies that I want to interact with that are part of who I want to hear from and the conversations I want to be having. So when I look at where we are and where we're going and we see these opportunities, a lot of it is about saying how do we take that whole piece of the equation, what it means to have the ideal newspaper, or these great experiences about experiencing the world and then introduce kind of the economic component of it to help optimize that.

So I think that's kind of the way that—so we're actually in a position finally to start cracking deeply some of these problems. It's not like, oh, there's this News Feed for your friends and then a sideshow, so we're trying to monetize it separately. It's more like, no, what is this integrated experience, what are the best products, and how do these things play together.

Kirkpatrick: But realistically, that mind-set is a significant shift. I don't think one would have said two years ago, or certainly not three or four years ago, that monetization and product development are two sides of the same coin. That would not have been said at Facebook.

Lessin: I think it depends what time horizon you're talking about. I think the answer is one of the things that I think is most—

Kirkpatrick: I'm not criticizing it. After all, you're a public company.

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Lessin: No, no. One of the things I love most about Facebook is I think you have a lot of people who care deeply about building the right long-term experiences for users, who are building this very long-term vision, but at the same time, the thing that I think in some ways the company has demonstrated a real competency in is not necessarily the long-term vision. Because guess what, that's not actually that hard in a lot of cases. I think a lot of companies and a lot of people share long-term vision of what the future can look like.

The question is, how do you play the field as it lies every single day and know what to build next, know when it's time to make that next product or make that next decision. When you say, well, we would never have said that historically, I think if you had said to anyone a bunch of years ago let's talk about 30 years, let's talk about 50 years, what is the ideal newspaper, where are we going? You would have heard a lot of the same themes. You would have just heard, "that's not the focus right now."

Kirkpatrick: Well, you did announce at the most recent quarterly call that you now have an advertising oriented person involved with every product team. Right?

You also have mobile seat at every table, which is—I think both of those things have evolved significantly in the last year, and to get to a lot of applause. When you said that, the stock went up like 12 percent the next day or something. That's a change. It's a healthy change.

I do want to just emphasize, what Sam said about what the News Feed is supposed to be, I don't think people listen and take that kind of statement seriously enough; that it really is what you would have looked for if you had known to look for it. That's the goal. Now that's a very long-term goal. But could I just quickly go to a question related to that.

You know, Google would probably argue that as they continue to integrate Google Plus with the Google Search results, that they would like to go in the same direction.

Do you think that—I mean, and obviously the Google Search is like a way to find things you know you need. You've got to type in some stuff and press Return and hope it comes up. Do you think what you just said is another way of saying that over time, the Facebook News Feed and the results you would get from a search engine might in some sense converge?

Lessin: So I think—first of all, obviously nothing but incredible respect for Google, and a lot of companies that are putting huge amounts of innovation to helping move us all forward.

I think a lot has to do with where you start from and kind of the perspective you bring into these types of problems and these problem sets.

I think when you think about it, the fundamental piece of Facebook, the place we start from, is that it's all about people. It's all about connecting, expressing things to people, understanding things through people, and using your networks, the people you trust, the connections you've made to help filter information, to help you live a better life, to experience the world in the best possible way.

You know, the question is like, is that a very contrarian opinion these days. Maybe it's become less contrarian over time. I think it was pretty contrarian if you go back eight years and think about the history of the Internet and how things have been evolving.

When you ask any company, there's many—the question of what does this look like long-term. I think people will tell similar stories in a lot of ways. But I cannot overemphasize how much in my mind at least it really matters what that first lens you bring to the world is and what the perspective you're coming from.

And I think there's a very big difference in my mind from starting by designing around human networks, people. We're using machines as intermediates to people, rather than thinking of machines as the terminus in and of themselves or as a first class citizen.

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Kirkpatrick: So the summary vision and the presumption that you bring is a tool to, what, augment human potential kind of thing? How would you summarize it in sort of its essential form?

Lessin: I think to step back, the way I would really summarize what is going on, and what gets me out of bed in life is we, as a species, in the last few decades have gotten three new superpowers. We've gone from a world where all of a sudden we have super memory. We can literally remember everything.

Kirkpatrick: Gordon was talking about that.

Lessin: He was. We can talk to anyone on earth instantly for free. And we can process orders and orders of magnitude more data than ever possible. Now, we didn't invent any of that. That's pieces that everyone is playing with.

Kirkpatrick: So storage, communications, and processing.

Lessin: That's the fundamental difference. The question is what do you do with it. And what does it resolve to, in terms of the products we build and how we want to leverage our new superpowers to change how we interact and live.

Mark talks about this a lot. These things change everything. We've built our society around a world in which in the last technological revolution, you saw atoms could move very fast. We got lots of great transportation technologies; planes, you know, things like that. So atoms move fast and bits move slow.

Now we're in a world where that's evened out, if not the opposite, which is that bits are moving faster than atoms again. The question is, how does that play out? I think it's a really exciting set of problems. We have some design principles we bring to bear.

Kirkpatrick: But that's a very open-minded view of Facebook's long-term future, and I want to ask you about the financial implications of all that right after this.

That's a very open-minded view to say that Facebook's long-term goal is to essentially figure out the way to allow people to take the best advantage of these three fundamental trends of storage, communications, and processing being on exponential curves. That's a big-picture view. I always love Facebook for its big-picture views, don't get me wrong. That's not misquoting you, to think of it that way, right?

Lessin: No, I just think again, it all depends—you said before, for instance, like that's a change to go into a world where advertising or monetization is part of the conversation. I think when you're talking about what we're going after, it all depends on time frame and what you build next.

Kirkpatrick: Let's talk about time frame. Obviously you can't talk about current quarters and current year. I don't care about that. I've always been interested in the long-term for Facebook.

David, as the guy who's got to figure out where the money comes from, where is it going to be coming from in two, five, ten years, and how much is there going to be?

Fischer: Well, it's no secret that mobile is the critical growth area. We've certainly invested in a heavy way this year in mobile. One of the key things we started with as a belief, and it hasn't taken very long to come to pass, is that mobile is a great thing for our users, for our advertisers, and for Facebook.

If you just look at the engagement rates of people, that's the number one metric from our standpoint is certainly the number of people, and passing a billion is a great milestone. There's a lot more people to get to. The notion of then are those people engaged? And what we're seeing is that people on their mobile devices are more engaged. Someone who is desktop only active

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user of Facebook comes—about 40 percent of those people come every day in the U.S.; 70 percent of people who are on mobile come to Facebook every day.

Kirkpatrick: Who are only on mobile?

Fischer: No, are mobile and who are on a combination.

Kirkpatrick: Anybody who is on mobile, 70 percent of those come every day.

Fischer: You're more likely to come and engage. That's sort of the evidence to date that mobile is really good for us.

And if you start to think about this device. Sam talked about it. Social—people are the DNA. They are the operating system by which we make almost every decision in our life. And we're a company with that sort of at the core of our DNA.

If you think about mobile devices, we can talk about all the technologies, all the cool things, it's a camera, it's a phone, it's apps. It's a social device, if you think about it. Just look around the room here about the number of people who are on mobile devices.

Think about what would happen if you were to leave this conference and accidentally leave your mobile phone behind. That's like a crisis, right? These things, you're attached to them, and you need to know it's there.

And so we just see that as, you know, if you can have the types of products that, on mobile, that are engaging and that are social and that improve people's lives and, therefore, get people to come and want to spend more time with you, and we are seeing all of those things, you get pretty excited about it.

Kirkpatrick: You guys at Facebook are good at big-picture thinking. We had a bunch of great sessions. One was about how shopping and spending are going to be transformed by a whole lot of simultaneous innovations that are happening with mobile and data and the relationship between retailers and payment systems.

Take what you just said and overlay it with what Sam just said. Let's think eight-plus years down the road. If Facebook continues to have further success and you get into the multibillions, do you guys presume that effectively economic behavior at a sort of macro level potentially could happen in a different way? It's not just like showing TV ads in another form. It's like a different way of relating to the process of consumption and information gathering, isn't it?

Fischer: I think so—I mean, on some level I think the future and ideas of where we're going to go and what the opportunities are are not that different from conceptually what we're trying to do. What it will look like will continue to evolve.

If you think about the product Facebook as a whole, and certainly the monetization strategies and the opportunities we present to businesses, to brands, to marketers, it's that ability to connect with people—people spend more time on Facebook than anywhere else. We have a bigger audience, and then you have all this great ability to target people based on a whole variety of important and valuable factors. That will remain—that will continue to be true.

But then the ability to layer in real useful information. Sometimes it's just as useful and as basic as your interests, right. I'm a passionate skier. We've just gotten some snow in the Bay Area. There's probably nothing more relevant and engaging for me and my News Feed right now, including on mobile, than a reminder from Squaw Valley that they're preparing to open. Maybe an offer—we have a new offers product where we're seeing a lot of success.

So I think that general level of engagement and then the opportunity to share it and tell all my friends and invite them. But if you think about all that information and how much better it will get as location information, the social graph of what your friends are recommending. If you can bring all of those things to bear, so to your question is, I think this will be an evolution, but your decision making will be richer and richer and better and better.

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Lessin: Depends how far and how much fun do you want to have with this. I think the reality is—I think you make a strong argument. Maybe not eight years, but eventually we're going to see a world with completely variablized cost structures. You go back to our three fundamental shifting variables of infinite storage and processing to actually use the storage, and then instant communication. It's like, you know, you could go crazy far out. I talked about this before. It's like, why own anything? Right? You look at examples like airbnb that build on Facebook's platform and a lot of the things we're most excited about, these are examples of companies that—

Kirkpatrick: We had a session on the sharing economy. Arun is in the room, I think.

Lessin: Part of it is the sharing economy. That's part of it. It's more fundamentally. We built over the last several hundred years an entire way of doing business and life. Based on, again, certain limitations and how we can communicate with each other. Those variables have been fundamentally shifted and lifted.

And, again, there are so many clear next steps and wins. That's what I think Facebook is best at, making those next decisions, knowing how to build those products. But the question is, again, I get out of bed because I think—and I work at this company and I'm excited about what we're doing, because I think over the coming decades, everything is going to change.

Kirkpatrick: I love that about you and your company. I really do. And this is very techonomic. But that suggests the economy could look fundamentally different. Not just because of Facebook. But a number of ramifications of what you just said.

And a very specific kind of techonomic question, David, for you would be, given all that—and you worked with small and big companies. But it would seem to me that it's likely that a lot of big companies will exist in the future that could not ever have been conceived of without the kind of capabilities that Facebook and other companies in the Internet ecosystem now make possible.

It's not just about Procter & Gamble figuring out how to sell toothpaste more efficiently. It's about conceiving of new businesses that really could only come into existence with all the processing and communications and identity, and the new sets of tools that are location based, right?

Fischer: Yes, but I think the term "creative destruction" is an old one. I think that we just see that, maybe we see that happening faster. But what I find fascinating and what I love about my job is we work with some of the biggest and oldest companies in the world, and you see, you know, some of them are really investing and finding ways to make Facebook work for them. Procter & Gamble. Walmart. There's lots of good examples about the way these guys have said, the world is going this way, we want to go that way and we want to use it to our advantage.

And then you have start-ups, companies that didn't exist two or three years ago, or maybe the ones that didn't exist last month who are coming in and tapping into this. Some of them—we don't know who will figure it out. But I think the opportunities are there, and it's sort of seen from our perspective, look, anyone who wants to embrace and is excited about the same vision we are, we're excited to work with them.

Lessin: I also don't—I think we shouldn't sell things like selling toothpaste more effectively short either. You can look at that at it's just a new way, but toothpaste is an awesome product. It has really important properties. People in the world might need a new toothpaste.

Kirkpatrick: There's a couple billion who probably never use it.

Lessin: Exactly. And the reality is, I think the mission of saying someone is producing a great product, like a packaged product; there are people in the world looking at their News Feeds, taking out their newspapers. You want to know what are the most important, exciting things to know. For millions of people or certain people actually knowing there's a great new product for them to buy is a huge deal. That actually is fundamentally important.

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When you think about these trajectories and where we're going, frankly, if we could live in a world where we figured out those bits, which I think we're getting towards, helping people get in front of people the products that they're excited to buy. Which you can phrase as like helping people sell, but it's also creating great customer experiences and user experiences. I don't know, it's like a pretty exciting future to me.

Kirkpatrick: One of the things I do, and I do spend a lot of times explaining your company to people, which is fun, and I sometimes get paid nicely for it. One of the things I'm always emphasizing, particularly in the United States, is this is truly a global company.

The fact that you are a billion people in almost literally every country in the world, and your growth is increasingly in Indonesia and Nigeria and Brazil, and a lot of these places, aside from China, that are huge, huge populations. And I'm just curious how maybe either one of you or both of you talk about how you think about Facebook in the developing world vis-a-vis the developed world; whether the product remains absolutely uniform. Just your own emphasis—it seems like the growth opportunity as you go from a billion to hopefully 3, 4, whatever, 9 billion, it's got to be more on those places than here, obviously, right?

Fischer: And I think this is another example, another question where the short-term, long-term conversation becomes relevant. I think it's hugely exciting to travel around the world and see these growth markets.

I was in Brazil a couple months ago, and we were—didn't have very strong user base there just a couple years ago, and now we're far and away the leading player. It's one of our top markets in the world, in terms of user and engagement rate. You can't go anywhere without seeing people on Facebook.

There is some challenge. Are smartphones prevalent or not. How do people access Internet. Do they actually have their own computers or are they going to cafes and so on? I think all of that is going to change in the next few years as smartphones become more prevalent.

We've done a bunch of things in developing markets, you know, through—we acquired a company called Snaptu about a year and a half ago, I think, now that basically creates a feature phone experience that is more similar to a smartphone experience, which is obviously critically important in the developing world where more people—

Kirkpatrick: With SMS as an underpinning of that? How does it work?

Fischer: I don't actually know the answer—

Kirkpatrick: We don't have time for that anyway.

Fischer: But the point is I think it's easy to think about how it comes together and the types of experiences that people are going to have are a lot more in common. And, again, it goes to the superpowers Sam is talking about. What we see is a lot more commonality than differences.

Kirkpatrick: Let me ask you, Sam, a product point of view. Obviously in Indonesia, they're not getting bored with Facebook anytime soon. Right? But in the U.S., you've been here for nine years, and quite a few tens of millions of people have been using it for a long time. When you're designing the product, do you worry about sort of burnout in the developed countries in a way that you don't have to worry about in these incredible growth opportunity countries? And could that—or do you also worry that because the growth opportunity is so huge over here, that you could lose sight of the need to keep this thing constantly evolving where the rich people are?

Lessin: One of the things I'm most excited about is when you look at the kind of macro, but it's very hard to talk about our population in aggregate, because there's obviously so many subsegments to it, and it's quite large at this point.

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Kirkpatrick: But it is a uniform product.

Lessin: It is. I think that's actually really critical. It's not only—it's very exciting to be a billion monthly active users. What I find more exciting is that engagement has actually never been higher. When you think about how people are not just saying they're coming once a month, but how deeply they're engaging with our products and how we measure that.

Kirkpatrick: Is that true in the United States as well as anywhere?

Lessin: It's true globally.

Kirkpatrick: Is it true in the United States?

Lessin: It's true globally.

Kirkpatrick: Okay. Go ahead.

Lessin: So when you—when you think about that holistically. The way I kind of think about it is like the first step when you get in anything is just wiring up the graph. We spent an incredible amount of time just getting people to identify the connections they have already in the real world. Getting filter news to that. Giving people these very core, very specific experiences, and you build out from there.

Take Timeline, for instance. Timeline is not a product when we first rolled it out that we're designing for the incremental user coming online in Indonesia. That's a framework we're trying to develop to say, look, this can be this rich expressive canvas for telling your whole life story, for expressing who you are in a very deep way.

Guess what, it actually happens if you've been on Facebook, that turnkey experience of turning it on for the first time is more exciting than if you just signed up yesterday, in which case your Timeline has almost nothing on it.

So I think we're very focused on obviously our core first and making sure we're wiring up the graph in the right way, getting people engaged. But the core of what Facebook is, and I think always will be, which is this graph model of, first, people and then kind of the things around people that help them express themselves.

But on top of that, I mean, that's the mission. And that is how do you create better and better experiences that really help people in deeper and deeper ways on the platform.

Kirkpatrick: How successful would you say Timeline has been?

Lessin: I think pretty successful. We have hundreds and hundreds and millions of people to opt and embrace new products. I think it's really a gateway into doing a wonderful set of new things that are much richer ways to express one's self. I think we're very happy with that.

Kirkpatrick: Can we get the house lights up?

I would like to ask, I'm sure almost literally everyone in this room uses Facebook to some degree. How many people in this room think Timeline was an improvement?

How many don't like it? Maybe only a quarter—maybe less than a quarter. So I guess it's been a success. You got a majority.

One thing—there's a lot of things to ask about. Your company has so many challenges and so many opportunities. I want to give the audience plenty of chances to interact with you. So maybe take a question or comment or two. And then if I can, I will return to my own obsessions.

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Mark? Identify yourself.

Bonchek: Mark Bonchek. ORBIT & Co.

My question is, Sam, you said that everything is going to change. So I guess my question for David, which is, how is advertising going to change? Are we going to get beyond targeting offers and move into something else?

Fischer: Yeah, look, I think there's two ways to answer your question. I think the first thing that I would say is just—even more than just advertising. If we think about businesses, advertising as a whole, our thesis is that social—every industry is going to be transformed in one way or another just by social and by people and what the social graph and the wisdom of friends enables. We've certainly seen this in gaming, and we're seeing this in retail and shopping in certain ways.

So we sort of start from that bigger level and then think about it. Because I think the best partnerships that we have with companies that spend a lot on advertising, but it's also that they do other things on Facebook. So Wal-Mart, for example, they're a big advertiser. But more importantly, they've set up over 4,000 pages for local stores. At the core of their strategy to connect with people not as this huge company Wal-Mart, but as your local retailer, who, when there's a snow storm coming, can say to you, Hey, we've got a truckload of snow shovels that just rolled in. Come get them before the storm gets here and so on.

So we see that as part of transforming business. And then, when it comes to advertising, we really just think about that, what is the personalized experience that's going to create a consistently good advertising experience? And you know, I gave the example a couple minutes ago about seeing just an ad or a post from Squaw Valley or seeing an offer about skiing. Because if you take that information, the combination of my interests, where I live, what's going on, real-time information, it makes it much better. So we see things like offers as a new product that's working really well.

We've introduced Facebook Exchange, which again, improves the targeting. So we think that experience and then the mobile environment is just going to really put the right experience in your News Feed at the right time, and in a way that often, when I get the right ad or right offer or right experience, it's actually better content in a lot of cases that what might be in the News Feed that might be less relevant to me. That's the bar we're going for. There's a lot of difference experiences we want to create on that.

Lessin: One of my things, I was in New York for a long time. One of my favorite experiences in New York was you would be in New York, going about your business, normal day. You would never see an umbrella. The second it rained, you could buy an umbrella at every single street corner in Manhattan. It's just how it works, right?

Kirkpatrick: Those Senegalese guys. They're very responsible.

Lessin: I think the reality it, very tough. Are things going to change in the long-term? Yeah, fundamentally, everything is going to change in the long-term. Depends on your time horizon. I think the thing the company is so geared for and I'm so excited about and I think we're all excited about is how do you create those great, delightful experiences for users interacting with businesses and things they want to buy and interact with in these very immediate tactical ways that then bridge to the longer thing?

I look at that—the umbrella salesman is one of my favorite examples. It's not there when I don't need it or when I don't want it. The world has a way of knowing when I want it, and it's right there for me.

Kirkpatrick: What you both just said is a very strong reflection in my opinion of what Mark [Zuckerberg] believes. Mark has always said an ad should be content you want to see that's actually useful. Right?

So clearly this is his vision being realized. Would you both agree?

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Fischer: I would, but I also would argue that's the same—look. A bad ad is a bad ad if it's on TV or if it's on the computer on anywhere else. A good ad, the same thing is true. It's good content in one way or another. I think that doesn't change.

Kirkpatrick: Well I think historically it was effectiveness more than desirability.

Lessin: But they're one and the same, in a lot of ways. I really think when you push it, they're one and the same.

We talk a lot about targeting and knowing who you're speaking to. What that really comes down is just being able to deliver a message that is personalized enough and contextual enough the person wants to see it, right?

I think, yes, there's a subtle difference. I consider it a subtle difference. If you're giving me something I want, that's great for you and great for me. If you're spending a ton of money or ton of effort giving me things that the message isn't interesting to me or the context isn't right, we're all losing.

Kirkpatrick: Okay. Who else has something in the audience? Over here.

Shine: Dan Shine. I think we have to wait on the Timeline vote until we hear from Florida. But my question is actually related to superpowers, and really the question of how—

Lessin: I like that your question is related to superpowers, by the way. That's cool.

Shine: The question is, what are the plans—and I asked, actually, a similar question of Cheryl about three years ago in Davos. But I think it's time for an update.

What are the plans of how to use those superpowers for good? More specifically, what is the product pipeline? What is the ad strategy that actually looks at how to take this incredible network and in a very purposeful way figure out how to actually—other than generically to improve the state of the world, specifically target certain problems and use the products to help fix them?

Kirkpatrick: Or is that necessary?

Fischer: Look, I would say the tools as they exist today and the opportunity to reach a huge audience and engage them in share is the same tools that we've talked about for people and for businesses that are working really effectively for nonprofits.

One example, just a conversation I had a couple weeks ago was with Lee Hirsch, who put together the movie, *Bully*, which I don't know how many people here have seen, but I think is a really important movie and just an important cause. And they found Facebook to be a really engaging place to build up both awareness, but also to allow people to connect, to give people a place to come together, to combat bullying, to find support.

So I think there's a whole series of things just on our tools that are free today and that so many people come and use. I think we can go through cause after cause. People are using it around clean water. There's all sorts of areas. I hope, as our tools get better for everybody, and I expect it will have the same effect, that it will just enable Causes to do bigger and better things. But that's a huge and important constituent for us.

Lessin: One thing I was excited we did around Timeline, I guess it was a few months ago now, was we started opening up the option of listing that you became an organ donor. That was an exciting step and exciting place for us to go in terms of something we have a belief in and that there's a lot of good evidence that it's a good thing for the world and how we can use the medium.

But I think one thing that I would go back to, first and foremost we see ourselves, I believe, at least as a medium, as a way of communicating, a way—a set of tools that help people reach out to each other, connect with each other, promote the things

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they believe in, things like that. Just to echo what Dave is saying, I think that's really the first and foremost piece of how we think about the superpowers and bringing them into the world. That in and of itself is probably the most powerful thing we can do right now and the thing we should be doubled down on.

Kirkpatrick: As the medium, I want to ask about one particular aspect of the medium, which is the News Feed. I know you focus more on the profile, but you guys both think about all this stuff all the time.

The News Feed to me seems to be a black box that no one really understands how it works except for you and people who use your algorithms. I thought of this in particular because on Sunday as the conference was beginning, I put up a photo on my Facebook profile and thanks to a lot of reasons, I have quite a few subscribers on Facebook. So, good promotional opportunity. And I was offered the opportunity to purchase more—what's it called? What that called?

Fischer: Reach.

Lessin: Promote the post.

Kirkpatrick: Promotion. To promote my post. So I paid \$46 to promote this post. That was a reasonable amount of money, it seemed to me. If a lot of people do that, that's good revenue for Facebook.

On the other hand, I noticed there was no promise of any metrics of what would result as a result of spending that money. There was no explanation of what I was really paying for, either; just that it would somehow be different than what would otherwise happen.

So, first of all, are you ever going to be more transparent about how the News Feed does work, so that as somebody pays money to make it happen differently, they have a better idea why they're paying that money? Because for me, I wouldn't keep paying that unless I knew.

Lessin: If you don't mind me jumping in on this. I actually really like and am excited about this feature. It's very early. We're testing these things out. But the way I think about it is, News Feed is fundamentally for the person reading it. It's their newspaper. Right? It's what they want to see in front of them. So the reality is, I pick up a newspaper, Facebook is going to do the best job they can, and it's constantly evolving to show you literally the best newspaper we possibly can.

Interestingly, our algorithms can be as smart as they possibly can, but we have this fundamental belief that people, in the beginning, are the formative—have a lot of information to put into the system to express whether something is interesting content or not.

So the whole concept that we're testing behind this is the concept that, look, the best newspaper is certainly what we can figure out algorithmically is what the person wants to see. But every once in a while we're going to get it wrong. Right?

If we can give the publisher, the person making the post, the ability to say, listen, I'm worried that not all the people are going to think this is what they want to see, but I really believe they're going to want to see this. This is a really great thing, and I can indicate that to the system by paying to promote the post. That's a really fundamentally interesting interaction.

Kirkpatrick: I couldn't disagree. But is that what I actually paid for, for all the people to see it?

If I paid money, does that mean that everyone who is following me saw that higher up in their News Feed or at the top of their News Feed? What does it mean?

Fischer: You're dramatically boosting distribution.

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I think the key thing to this about is, so there's your own consumption. So each person on the receiving end. But if you think about—I don't know how many subscribers you have.

Kirkpatrick: I have 204,000, which is not bad.

Fischer: 204,000. That's not bad. Maybe will have like a few hundred more after this.

Kirkpatrick: Maybe a few will drop off too.

Fischer: So the notion is, as much as we'd like all of those people to be on Facebook all the time to see your posts, the reality is not everyone is on every day. So, as Sam said, it's a great signal to say, "We want to get this out," if it's a valuable message.

So the place we start is, if reaching people on Facebook is valuable to you for one reason or another. And sometimes it could be to promote something you're doing. It also could be me as a user. If I have a kid and I want to make sure all my friends know, maybe I actually want to pay a few bucks to promote that and say, hey, this is a life event, and rather than get all your addresses, I want to do it.

So that's the motivation. If it's something you want to get out there, or as a business or as an entrepreneur it's something you think is valuable when it gets to people organically, you might want to pay to do that.

The second thing I would say, just to your point, your question: we have pretty robust reporting that goes into, okay, this is your organic reach. This is your paid reach. This is the engagement level of all that. You can get into that.

Kirkpatrick: I can get into that?

Fischer: We give you all of that.

Kirkpatrick: It's not evident. Where do I find it?

Fischer: There is a tension, David, that we're always trying to balance between. Which is, if we said to you, you can do exactly what you did for \$46, but you need to come in and sort of go through a flow and we can show you all these metrics. It would have been had equal value to you as the money you spent, but it also might have been inconvenient and you and you might not have done it.

Kirkpatrick: I'm not sure I would have wanted to go through it in advance, but I'm happy to hear that it's available, which was not explained to me when I spent the money.

Fischer: But look, we're a big believer on providing that sort of reporting and results. And the good news is what we see as the product—

Kirkpatrick: I'm sorry. Not to be beating a dead horse. I know that kind of information is available for my page. We run a Techonomy page. I have a page for my book. Quite a few people follow those, too. So I know that there are very easy metrics available for the pages. But for me as an individual, those same metrics are accessible today inside the system?

Lessin: So there's no philosophical reason that like they're not right in front of you when you go to promote a post as an individual. It's more a tradeoff between in general who is posting. You clearly have an incredibly high number of subscribers. What are their interests? Who is using the product? Is this the type of thing we want to put a bunch of metrics in front of people?

Kirkpatrick: Let me just restate the basic question. I still think, frankly, considering the business goals you've articulated and the incredible utility of your system, given that almost everything that you're selling depends on the performance of the News

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Feed in some fashion, especially on mobile, isn't it going to be necessary over time to introduce more transparency into the functionality? I mean—or do you consider yourselves to be already doing that?

Fischer: I think actually you've put your finger on a really important challenge for us, which is making sure that people understand the value they are deriving. I would argue that it's an equal analogy as if you had bought an ad in a newspaper or magazine to promote Techonomy, that you wouldn't—

Kirkpatrick: That's why people don't do that very much anymore.

Fischer: There's lots of things that people buy that they don't necessarily question that. Our belief is you should have all that information available to you. I think more deeply there is a question we get a lot, which I think you're getting at, which is, I invested with Facebook. What am I getting? What is coming from it?

The good news, from our perspective is I love that question, and I could take as much time as you would give me on this. But we have a whole body of evidence from individual users, from small businesses up to the world's largest brands. We've done studies for companies that don't sell anything online or digitally, that involve you walking into a supermarket that's not their product but sells their product and tracked investments on Facebook to product going off shelves. We've done over 60 comprehensive studies and seen that nearly half of those get an ROI of 5X or better, which is really strong. 70 percent of them get 3X or better. And we have case studies galore.

Our challenge is that it's just a new medium and people don't know how to think about it, and you don't know the natural information. So putting that out there and telling that story is something that we want to do all day. And like I said, we can do that all day. We have a lot of good evidence, but it's really important that people know they're getting value from it.

Kirkpatrick: So you agree with the basic intent.

Fischer: I agree with the premise. But we have really good answers for it. We just need to make sure that people are getting that information.

Lessin: Also again, the way I look at it, you go back to the question of what does it mean that everyone can speak to everyone else instantly on Earth for free. Right?

It means that if you actually, if we had that superpower built into our brains right now and our ears, you couldn't hear anything, because you would be bombarded with 7 billion people speaking to you all at once. So I think the future requires filtering, someone to help you effectively navigate all the information at your disposal to say, really, I have five minutes. I have 30 seconds. What do I need to know right now? What is the best information for me?

We certainly want to give people a sense of who we're speaking to. Audience, both from this perspective but also from a privacy perspective. Understanding who you're speaking to informs how you speak. So we want to do that.

We're going to hit up against the fact that fundamentally the News Feed is all about the viewer and the person consuming the content at the end of the day.

Kirkpatrick: Well, it is magical thing that you've build and have a system that allows any person on the planet to at least theoretically reach any person on the planet in a way that e-mail only in a much cruder way would ever have facilitated.

Let's hear another question or two. Make it quick, Sam. You were just on stage.

Stathis: How cool is it that the guy that wrote The Facebook Effect connects us with Facebook and brought him right here to Techonomy?

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My question is, how excited are you guys about the fact that you're building a new headquarters of 420,000 square feet? And do you give roller skates with that?

I commend Facebook for making an investment in bricks and mortar. So you are a technology company and you're in the cloud, but you're also—I think that was a big move. How excited are you guys about that?

Lessin: Well, I think we build lots of things. We have teams that build data centers that are really unbelievable. There's a lot of innovation going on all throughout our system. To build some great things, you need to build some physical things, too.

Kirkpatrick: I will say I've talked to a lot of people about it. And I think there is a very brilliant communications strategy, at least inadvertently embedded in hiring Frank Gehry to build a physical infrastructure for this company that people have considered very intangible historically. So I thought it was kind of a brilliant move myself.

Fischer: The one interesting thing I would point out for those of you who haven't seen it, we're in the early stages of a new building to grow our headquarters that's going to be like a 420,000 foot, huge wide open building. If you look at just the high level of what we're doing, it's going to be one giant open space. Again, that's what Facebook is about, making the world more open, more connected. That's how we live. That's our office culture.

To me what is exciting and cool about it is having the opportunity for the first time, to actually design something from the ground up that says what would be the ultimate manifestation of our culture and the way that we want to interact and work together? And if you understand the building and understand Facebook, it offers insights there.

Kirkpatrick: I'm frustrated that we're out of time. Let me just ask both of you. What would you have liked to have said up here that I didn't ask you about, that you were hoping to say that we didn't get to. Anything, Sam?

Lessin: Well, I don't think I got to say the word "mobile" once.

Kirkpatrick: You just did.

Lessin: Now I did. I personally think it's so unbelievably exciting what's happening with mobile. In some ways, you know, one way to think about Facebook is in some ways obviously if we started right now, we would be a mobile company like from the ground up, day one. In some ways I feel like we're in a mobile company that got started a little bit ahead of mobile, right, in terms of the timeline of the company being built out.

Kirkpatrick: And perhaps didn't realize you were a mobile company at the time.

Lessin: Perhaps.

But I would say the reality, if you talk about what it means to have a truly social device that's in your pocket at all times, the fact that we can sit here and connect and use this medium in this space in real-time with the whole world, rather than what it was in 2004, when is, great, we meet a bunch of people, there's a bunch of social interactions, and now I'm going to go back to my dorm room or this closet and use this device to connect.

This is such a fundamental transition, and I think it's—everything is about what you can now do and what you can do with basically a social space, with a social network that's actually in your pocket all the time, interacting with the physical world.

Fischer: I would just add to that, I think the mobile, the capabilities that mobile unlocks are so exciting. So I just think about each of those experiences. We bring more people and get more information, more entities, more businesses, more whatever, everything into the social graph. Just the improvement of that experience. I love the personal newspaper thing as a former journalist and someone who sort of thinks in that kind of paradigm of just more information, whatever I need at the fingertips,

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sort of coming at me. And having that available is just such a luxury. I think we've done pretty well so far. But we have so much room to grow and so much room to advance on that. I just get excited by each of the possibilities along the way.

Kirkpatrick: I'm sure Wall Street will be pleased both of you emphasized mobile so strongly, and it is the right thing to be emphasizing. We talked about it the whole last two days. I consider Facebook still perhaps the ultimate techonomic company.

I see a real connection between what we're doing there at Techonomy, talking about technology transforming the world, and your company, which I still believe is probably transforming the world at a macro scale more than any other individual company.

So congratulations on your continued success, and I personally think you will get into the multibillions. But it's not going to be easy. So I'm glad that people like you are working on it. Thanks so much.

Lessin: Thanks for having us.