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Strategic Audit of Facebook Through the Lens of International Reputation

An Undergraduate Honors Thesis
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by

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Abstract

This report investigates the history and current situation of Facebook, an international social media firm based in Menlo Park, CA. Facebook faces a number of international controversies and growing resentment from its userbase. In an industry where people are synonymous with capital, a strategic recommendation will be made to help Facebook regain some of its users' lost faith and hopefully recapture old markets.

This report will analyze Facebook's internal situation using the framework of SWOT analysis, and the external environment Facebook exists in through PEST analysis. These tools will provide a helpful foundation to understand Facebook's competitive advantages, and render an educated recommendation.

Key Words: Strategic audit, Raikes School, business, social media, strategy

Background

Despite humble beginnings as a directory of Harvard students, Facebook has irrevocably changed the face of modern society through its nearly ubiquitous presence on modern internet-capable devices. Facebook boasts \$22.1 billion dollars in net income over the 2018 fiscal year, with nearly 40,000 employees and 2.38 billion monthly active users on Facebook as of March 31, 2019 (Facebook Newsroom).

With most companies, it would be easy to overstate their impact on their industry, society as a whole, and their potential to change the future. With Facebook, however, there is danger of underestimating just how impactful its existence has been on world history – for better or for worse, few would find fault in the statement that Facebook represents an intractable shift in human communication; there is no easy way to revert to an earlier mode of communication. For the time being, the world exists in an unprecedented age of connectivity that transcends borders and geographic space.

Facebook profits from this connectivity by selling metadata for large groups of users to advertisers. Marketing firms will use Facebook to target their advertisements towards specific demographics in Facebook's userbase. Because Facebook's revenue is directly derived from its users, the loss of faith (and subsequent loss of users) in the company's services is a problem that cannot be ignored. Unfortunately (and perhaps unsurprisingly), Facebook has a rich history of overstepping their boundaries in the eyes of both users and legislators.

History

Because Facebook is a global brand, there is a wealth of information regarding its tumultuous history. To aid in comprehension, the history of Facebook will be broken up into a dichotomy of its humble beginnings on college campuses, and a brief timeline of its ascendance to the globally-dominant social media networking giant it is today.

From Humble Beginnings...

The first time Mark Zuckerberg (now CEO of Facebook) came under fire for violating the privacy of people using his online services was in 2003, when the progenitor of Facebook (a service called Facemash, which allowed Harvard students to rate the relative attractiveness of their classmates) was shut down by the Harvard administration. Although Zuckerberg was never formally convicted of anything, he was charged (and faced expulsion from Harvard) for breaching campus security, violating copyrights, and violating individual privacy (Kaplan).

Born from the ashes of Facemash, Facebook started from a Harvard dorm room in January of 2004. The impetus of its design was to serve as a directory for Harvard students – at the time, Mark Zuckerberg told the campus newsletter *The Harvard Crimson* that, “Everyone's been talking a lot about a universal face book within Harvard. ... I think it's kind of silly that it would take the University a couple of years to get around to it. I can do it better than they can, and I can do it in a week.” (Tabak). The idea evolved into a social-space before it saw its initial launch, an idea that earned nearly 1,500 registrants in its first 24 hours (Cassidy).

At first, users had to be a student at Harvard to sign up for the site. As the service exploded in popularity, it was opened up to other Ivy League colleges – in March of 2004, students at Columbia, Yale, and Stanford were allowed to register for Facebook. Slowly, more and more universities were incorporated into the Facebook environment (Facebook Newsroom).

Facebook was formally incorporated in the summer of 2004, garnering 6 million users by December of 2005. In October of 2005, Facebook finally went overseas by opening its doors to universities in the UK as part of a larger push to incorporate tech employees at Microsoft and Apple. Finally, in September of 2006, Facebook was opened to everyone above the age of 13 with a valid e-mail address (Rosen).

This prompted an explosion in popularity (Facebook “Terms of Use”), and by 2008 Facebook would establish an international headquarters in Dublin, Ireland. In 2011, Facebook became the largest repository of photos online with nearly 100 billion photos.

Finally, in February of 2012, Facebook filed for their initial public offering, signaling their ascendance to the heights of Amazon, Disney, and McDonald’s as publicly traded international corporations. This marks the end of their explosive beginning, and the start of a new chapter for Facebook’s international presence (Kessler).

...To Global Powerhouse

This section exists purely as a look at Facebook’s historical controversies – things which are viewed in the past-tense, but still influence public perception of the corporation. They are historical landmarks that do not belong in current events, and yet seem to be of entirely different dimensionality when compared to Facebook’s origin story.

Because of its humble beginnings, many were flabbergasted when Facebook began to take on an international seat of importance. It's likely Facebook would have been happy to remain an impartial service offered to willing users across the globe, but global politics and economics are complicated and the entities that facilitate communication between anyone with a valid e-mail address cannot be remiss in the duties and burdens required by any internationally significant corporation – doubly so for a company that has the private information of billions. Because Facebook serves as a platform for everyone with an internet connection, and the geopolitics of the modern world are so conjointly tied with the lives of its users, it was inevitable that Facebook's positioning would lead to controversy.

A poignant example of connectivity influence international geopolitics can be seen in the Arab Spring movement of the early 2010's. The Arab Spring was a series of uprisings in the Middle East that spread through social media in 2010. Many have credited Facebook for their integral role in fomenting communication between anti-government groups who fought oppression. Because society tends to value civil uprisings that prioritize freedom, the Arab Spring was largely perceived as a movement of freedom fighters fighting against totalitarian regimes (Rosen). By the same coin, Facebook (and other social media sites) have been harangued for their facilitation of less savory movements, such as ISIS and other paramilitary groups in Syria/the Levant (Newton). It seems that the public perception of the groups utilizing Facebook for the purpose of organizing civil disobedience and revolution plays a large part in the public reaction to it – few have claimed that social media was bad in the context of The Arab Spring, and yet the same platform is criticized for assisting ISIS. Although the delineation is clear between the two groups, the fact remains that Facebook is a service used to perpetuate people's most impactful and powerful views of the world. In parts of the Earth where life is more difficult, these views are often linked to violence. Facebook played a role in this, and the public remains aware of social media's potential to be used as a tool in violent actions.

Although there are plentiful examples of Facebook being used by controversial groups in unstable parts of the world, Facebook has also been criticized for its handling of private information in times of peace. In 2011, the Federal Trade Commission alleged that Facebook made people's private information public without the consent or knowledge of its users. The FTC found that Facebook had falsely claimed that third-party entities were only able to access user data needed to operate (e.g. using names and birthdays for a calendar application). In reality, Facebook user information including private posts, user information such as marital status and political views, and private photos were exposed to third-parties. At the time, chairman of the FTC, Jon Leibowitz, said that, "Facebook is obligated to keep the promises about privacy that it makes to its hundreds of millions of users...Facebook's innovation does not have to come at the expense of consumer privacy. The FTC action will ensure it will not." (Federal Trade Commission).

Yet, with such a complicated system, breaches to user privacy were bound to slip through the cracks. In 2013, a bug in Facebook's notification system exposed the email addresses and phone numbers of 6 million Facebook users (NBCUniversal News Group).

Not every violation of user's trust has to do with privacy, however. In 2014, users felt as though their dignity was being compromised when Facebook was found to be actively manipulated the moods of its users. Data scientists within Facebook had been selectively altering news feeds to show more positive or negative news in a study of how emotions could propagate through social media. (NBCUniversal News Group). This compounds with a leaked internal document from 2016 that found evidence of Facebook offering advertisers the opportunity to target 6.4 million younger users, some only 14 years old, during moments of psychological vulnerability, such as when they felt "worthless," "insecure," "stressed," "defeated," "anxious," and like a "failure." The 23-page document had been prepared for a potential advertiser and highlighted Facebook's ability to micro-target ads down to "moments when young people need a confidence boost." (Tiku).

Major Issues

With the stage so thoroughly set, readers have likely already identified the major issues facing Facebook. With 40,000 employees and near universal adoption of the technology, Facebook doesn't face issues with expanding its service with new technology or delivering marketable groups of users to advertisers. The fundamental issues with Facebook can be seen in many dimensions that will be even more apparent in PEST/SWOT analysis. The major issues can be summarized thusly:

1) Declining public trust of Facebook

Although Facebook reports a consistent increase in monthly active users, a growing concern for the company is a "slump" across key demographics (e.g. those who are most susceptible to advertising, or more likely to spend money). Edison Research and Triton Digital, two large digital marketing firms based out of LA, estimate that Facebook has 15 million fewer users in the U.S. than it did in 2017. Over the last two years, Facebook has seen usage drop 17% among U.S. users aged 12 to 34. Sentiment analysis performed by Edison Research in the form of telephone surveys revealed that users are disillusioned with the company due to controversy stemming from the 2016 U.S. presidential election, the improper collection of 87 million Facebook users' personal data, and Facebook's long history of abusing its users' private information (Edison Research).

Declining public trust is primarily an issue in how it effects Facebook's users. Its current strategy of shady dealing with third parties and shameless experimentation upon its users is perhaps a bit myopic – when these violations come to light, they universally lead to a decline in Facebook's active users and subsequently dropping stock prices.

2) Increasing regulatory/legislative pushback

Facebook enjoyed an unprecedented luxury in its beginning years: being such a novel technology that regulations couldn't prevent it from doing unethical things for the sake of profit. As time went on, Facebook found itself increasingly restrained by bills designed to protect consumers.

Unfortunately, because of Facebook's history of overstepping legal boundaries, they have been progressively burning through the goodwill generated by their initial public perceptions. Part of this bridge-burning is their inability to follow international regulations: Researchers at Centre of Interdisciplinary Law and ICT (ICRI) and the Computer Security and Industrial Cryptography department (Cosic) at the University of Leuven have found that Facebook broke EU law to track users outside of their own application through illegal cookie tracking without consent (Gibbs). This resulted in a \$1.6 billion in fines from the European Union (GDPR), and extreme restrictions being placed on the company that some claim are breaking down Facebook's ability to be profitable in Europe (Arjun).

In addition to allegations of "Fake News" bringing Facebook CEO Mark Zuckerberg to testify in front of congress, Facebook could very well be destroying its own business model by forcing legislators to respond to its increasingly alarming violations (Kottasová) (Vogelstein).

3) Increasing availability of alternative services

Finally, Facebook’s competition cannot be ignored. Although it has dealt with competition through acquisition (as seen with Instagram), public perception is everything for a corporation whose users are directly tied to revenue.

Among Facebook’s largest rivals are Snapchat, Twitter, and LinkedIn (Cheung). Over 2017-2018, Facebook lost 10% of its market share, dropping from 75.5% to 66.3% (Angelovska).

Although it still enjoys dominance over the social media market, it’s clear to see that Facebook is losing ground. It can’t be argued that its recent controversies have completely destroyed the company, but it has left them vulnerable to competitors – there is a clear and proportionate increase in users of other platforms as Facebook’s own userbase declines, which indicates many people are leaving the company for offerings they view as more trustworthy (or, at the very least, more in-line with what they want from social media).

If rhetoric is unconvincing, consider that highest drop in Facebook's market share was in the USA was from 76% in December 2017 to 52% in December 2018. This coincides with Facebook’s congressional hearing (Romm) (Vogelstein).

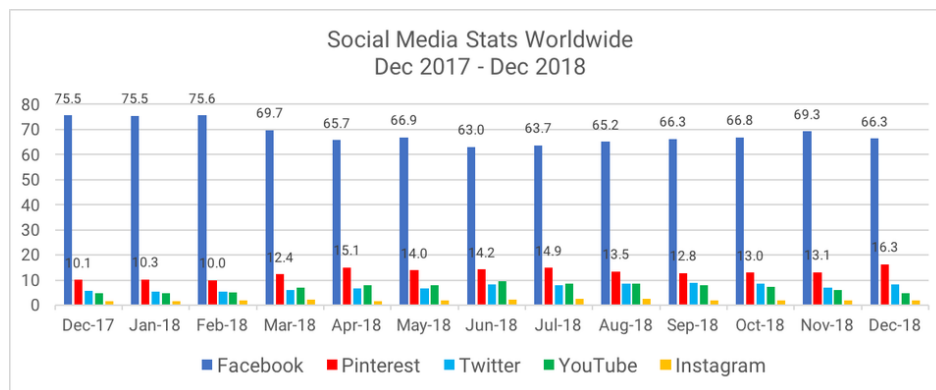


Figure 1: Average monthly market share of social media apps for 2018 by region (Image sourced from Forbes, Statcounter)

Situation Analysis

Business Model

One way that traditional business tactics have been transformed by the information age is the marketing of personal data. Facebook, Google, Twitter, and a plethora of online services that do not charge for access, make money by building complex profiles of their users (O'Neill). The adage has become, "If you cannot see the product, you are the product." By collecting your individual actions on their site, Facebook is able to aggregate much of your personal data to build a model on how you can be expected to behave, and what you can be expected to believe. Characteristics that Facebook are able to determine include gender, age, social circles, relationships status, political opinions, and your sentiments towards certain brands, among others (Haselton).

These focused user profiles are useful to advertisers who want to reduce the friction of their marketing - online services like Facebook offer this data to marketers who pay to advertise on their platform. Advertisers often invest heavily into social-media marketing plans, since they are able to have laser-precision in their targeted demographics. Consumers want to continue using Facebook so they can stay connected to their friends and family. This relationship between consumers/users, Facebook, and advertisers generates the bulk of Facebooks' revenue (O'Neill), and they have a vested interest in keeping users on their site.

In addition, Facebook owns subsidiaries Instagram and WhatsApp. Instagram, a social media site with an emphasis on sharing photos, boasts 1 billion monthly members, 71% of which are under the age of 31 (Todd). WhatsApp, a messaging app that is commonly used to communicate across international borders/carriers, has 1.5 billion active users in over 180 countries – the U.S. userbase is expected to grow to 25.6 million by 2021 (99firms).

As discussed previously, Facebook has been actively harming this important dimension of user interactivity through data leaks and legislative action. Internal and external analysis will focus primarily on Facebook's public perception, as this has the most direct impact to their revenue.

External Analysis

PEST Analysis

Although these points must seem self-apparent by now, it's important to consolidate information on Facebook's positioning within its industry and within the world. Facebook is still enjoying its presence as the dominant social network and is likely to continue doing so for the foreseeable future. However, its actions are frequently self-destructive, and it no longer exists in isolation as a unique offering to consumers or marketers.

The social media industry has many viable competitors such as Twitter, Snapchat, and LinkedIn (niche though it may be). The power of users to leave Facebook for one of its competitors has never been higher – how, then, is Facebook situated to slow the migration of users to other platforms, and recapture old users who have left?

Political/Legal

Facebook, as a globally important organization, is fundamentally linked to the global political landscape. This has two dimensions to it: The opportunity for Facebook to expand into new markets, and the threat of legislation/upheaval in current markets.

As the internet reaches more parts of the globe, new groups of people are able to join the service and become part of the interconnected web of users. Expanding demographics can only help Facebook as advertising is able to be offered to new locations and targeted towards new sets of priorities. Increasing political stability and governmental support of globalization provide huge opportunities for Facebook (O'Neill).

The threat of legislation and upheaval remain, however. In extreme cases like China and North Korea, Facebook is extremely limited in its ability to penetrate markets due to government censorship.

Additionally, social media has become a larger political target in recent years. Facebook has come under fire for Cambridge Analytica's involvement in the 2016 election. Their involvement in election tampering is a huge threat, since public perception (whether accurate or not) often sides against Facebook when these stories hit.

In either case, the threat of legislation and/or government fiat is poised to damage Facebook's ability to market its users – China and North Korea won't allow their citizens to be on Facebook, and while EU/US citizens are able to use the service, the tightening grasp of legislative restrictions will stop Facebook from efficiently utilizing potential revenue streams.

Economic

Facebook has the opportunity to benefit from emerging markets worldwide. Internet connectivity and economic stability often go hand-in-hand; as people worldwide go online, they often have an amount of disposable income that is tempting for advertisers. Most companies want a part in engaging with new markets. Because Facebook often reaches these new markets with little effort on their part, they're uniquely positioned to help facilitate brand awareness in developing countries.

Additionally, citizens of highly developed countries are beginning to have an unprecedented level of disposable income (Kharas). This growing economic strength gives advertisers reason to spend significant amounts on marketing through social-media platforms. Facebook will continue to reap the benefits of the world's economic prosperity.

Social/Demographic

Facebook, as a social media platform, benefits from a diverse set of demographics to offer up to advertisers. To that end, several key threats and weaknesses exist, along with some opportunities.

On the opportunities front, Facebook's increasing globalization has led to more demographics being available than ever before. This means increased management, however, since the sheer number of cultures touched by Facebook requires them to tailor certain experiences in a humane way. For example, they have been accused of inadvertently fueling genocide in Myanmar by their failure to remove dehumanizing speech and hate groups as reported by the United Nations (Miles). The world is a complex place, and the discussion around what viewpoints deserve a platform extends past U.S. political disagreements. For this reason, expanding demographics are both a threat and an opportunity – mismanagement will tarnish their reputation, but careful balancing of different viewpoints can keep markets open and appealing to advertisers without controversy.

Finally, Facebook needs to do more to keep young users on its platforms. As a corporation, it's managed to keep ahold of younger users who tend to prefer Instagram (a subsidiary social network owned by Facebook Inc.). As established in the Edison Research study performed in 2017-2018, Facebook has seen usage drop 17% among U.S. users aged 12 to 34.

This is an important demographic and losing them could be a massive threat to Facebook's appeal to advertisers (Edison Research).

Technological

Technologically, Facebook has all of the tools it needs to succeed. It needs to remain on the cutting edge of users' interest by developing novel new social media platforms (as they did with Instagram, and as they failed to do with Snapchat); if it's able to master the life-cycle of a social media and keep users active on one of its services, it can generate a good deal of longevity as a company.

A big weakness of the company, however, seems to be safety. In 2019, Facebook was found to be storing plaintext passwords within its databases – this is hugely unsafe and opens them up to many means of malicious hacking (Whittaker). In addition, a number of its controversies have to do with data breaches and leaks. As a large organization, complete and total security in all of its data may be impossible. Clearly, however, Facebook has been harmed by high-profile failings on their part to secure user data.

Again, fairly or not, Facebook lives and dies by its user's perception and trust. If they can't manage to regain lost trust, they'll continue to lose users and revenue (Vogelstein).

Internal Assessment

SWOT Analysis

Although it's easy to be critical of Facebook, critics have been making ominous doomsday predictions about it for years. Ultimately, Facebook's strengths have allowed it to sustain its position as one of the biggest social media giants despite the controversies surrounding it.

Strengths

Facebook has an inarguably powerful brand image. With presence on over 96% of mobile devices, 25% of all desktop computers, and 16% of all tablets, Facebook is almost inescapable (Statista). Facebook is recognized as a popular, widespread social network that many people want to be a part of. This makes them attractive to new users, and to advertisers.

Finally, Facebook uses a cost leadership competitive strategy to outperform competitors. By minimizing costs to operate, they can reduce their prices and increase the traffic volume on their service. For this reason, their main goal is to increase user counts by any means necessary (Greenspan). This influences their strategy of intense R&D expenditure; Of its gross profit of \$46 million in the last quarter of 2018, Facebook's spent \$10 million on R&D (NASDAQ). Clearly, new business ventures and new levels of integration into users' life is a high priority for Facebook.

This level of reinvestment is a huge strength, because it will allow Facebook to continue innovating in novel ways to attract users to its platform.

Facebook, internally isolated, has the competitive advantage to maintain its competitive advantage to users and online advertisers.

Weaknesses

Facebook will never be truly isolated from its external environment, and their key internal weakness is their inability to avoid controversy from without. This has already been elaborated on in depth – Facebook is often its own worst enemy.

In a purely internal sense, Facebook's weaknesses are rather inherent to its business. First, Facebook has been innovated and iterated upon. The formula of social media has been set – competitors like Twitter thrive by offering unique alternatives in their character limit, and Instagram with a more photo-focused user experience. This weakness is mitigated primarily by Facebook's inertia: users want to be where other users are, and Facebook has many users.

Finally, online advertising is inserted into Facebook to the detriment of the user experience. Users don't log in to Facebook to be advertised to, but Facebook wants users to see their advertisements. They've handled this weakness by increasing the micro-targeting that advertisers have available to them, so ads are likely to be more in-line with what users want to see (Greenspan).

Opportunities

Facebook seems acutely aware of their opportunities to maintain dominance in the social media industry. The fact that they spend so much money on R&D is indicative of their desire to continue innovating in social media offerings.

To this end, they offer two important services: Instagram and WhatsApp. Instagram, a social media site with an emphasis on sharing photos, boasts 1 billion monthly members, 71% of which are under the age of 31 (Todd). WhatsApp, a messaging app that is commonly used to communicate across international borders/carriers, has 1.5 billion active users in over 180 countries – the U.S. userbase is expected to grow to 25.6 million by 2021 (99firms).

These two subsidiaries represent Facebook harnessing the opportunity to escape their branding and the reputation of their controversies, as well as their ability to successfully diversify its holdings.

Finally, Facebook is still among the most downloaded applications in developing countries (Kharas). Emerging economies in newly stabilized areas of the earth represent huge, untapped userbases for Facebook. As the internet continues to expand, Facebook has a gigantic opportunity to continue expanding alongside it.

Threats

Facebook's threats from within come from its own complexity, and from market saturation. As a megalithic organization with such high levels of integration in so many devices, bugs and leaks are bound to continue being a pest (Tiku). As was previously mentioned, data leaks and cybersecurity vulnerabilities have resulted in a few huge controversies for Facebook (Kottasová), and the stock price has almost always reflected this (NASDAQ). Although it has always bounced back from these controversies in the markets, declining trust and use among key US demographics are going to continue growing into larger threats (Vogelstein).

The threat of imitation is essentially the potential for competitors to exploit its duplicable nature mentioned in the 'weaknesses' section. In order to maintain competitive advantage, Facebook needs to retain large numbers of users. This is complicated by the growing number of competitors.

Finally, although growing markets present a huge opportunity to Facebook, a strategy needs to be devised to deal with plateauing new users. Whether this involves a re-evaluation of Facebook's internal well-being (which currently focuses on new users and monthly active users) towards a measure that accounts for its ubiquity, or some preparation for the market's inevitable stagnation (Young).

Recommendation

Strategy Goals and Evaluation Criteria

Any strategy relevant to Facebook needs to focus on its key source of revenue: users. A social media enterprise lives and dies by the offerings its able to give advertisers, and without a rich and diverse selection of demographics to select from, Facebook would not be able to generate revenue. This is inline with the threats discussed, which saw a clear correlation between users leaving the site and Facebook's performance on the stock market – its biggest slump coincided with a mass exodus following the Cambridge Analytica controversy and subsequent congressional hearing (NASDAQ).

Facebook has had very little trouble capitalizing on the users in its ecosystem, and the threats to its business are all factors that hamper the health of this environment. Therefore, strategy recommendations for Facebook must strive for higher user retention/new user registration and measured on the same criteria.

Strategy Alternatives

Technology

Facebook became the dominant force it is today because it was novel at the time. As of the time of this audit's publishing, Facebook has been around for 15 years. Its service is no longer cutting-edge, and an innovative replacement remains a large threat.

This alternative should be easy for Facebook to implement, as it already spends large portions of its revenue on research and development. They should continue their policy of high investment in R&D, but reorient their efforts towards providing new user experiences that can keep long-time users somewhere

on their network; limited evidence exists for this strategy being implemented in its acquisition of Instagram. In the future, new features could regain lost users and keep current users interested.

Emerging Markets

Facebook's dominance of emerging markets has massive potential. The African Development Bank estimates that Africa's collective economy will grow by \$134 billion dollars in 2019, and this growth is projected to accelerate in the future. In 2016, the African economy grew by 2.1%. In 2019, it has been projected to more than double to 4.9% (African Development Bank). As countries the world over begin reaping the benefits of their developing economies, Facebook should increase its efforts to capture these markets.

WhatsApp is particularly well-suited to penetrate these markets, due to strong brand-image in the Eastern Hemisphere and its utility as an international and carrier-agnostic messaging application.

Although Facebook is already among the most downloaded applications in emerging economies, it will benefit immensely from any efforts to integrate itself into these cultures. Although it may gain the necessary users organically, it could begin strengthening relationships with regional advertisers to build lasting and powerful partnerships.

Increased Product Diversification

Tying in neatly with the alternative of increased R&D, Facebook should attempt to launch more social media networks aside from its flagship product. The success of Instagram and WhatsApp cannot be ignored. Both applications target specific niches particularly well, and Facebook Inc. has seen immense growth as a result of these acquisitions.

Of note, Facebook.com saw declining user interactions in response to political controversy while its subsidiaries did not. The average user does not associate Instagram with Facebook.com, which offers huge potential for brand diversification and the diffusion of responsibility.

Whether it begins developing its own products or expands its acquisitions of old products, it should try to offer more platforms to entice specific demographics. Tight coupling between these applications could have an immense impact on Facebook's attractiveness to advertisers. A comprehensive cross-platform advertising offering could be a game-changer for digital marketing.

Ethical Recommitment

Facebook's history is marred with controversy, and it's easy to see how the fault lies with Facebook on many of these fronts. Users flee the system when they learn new details about their data being sold illegally, genocides coordinated through Facebook, and experiments being conducted on user profiles with little respect for the dignity of its consumers.

One way to stop controversy is to realign the company's values with what its users expect of it. At this point, it's been established that Facebook is a low-cost operation that remains profitable by its relationships with advertisers. Although they've given into the temptation to manipulate users and sell data illegally, nothing about their financial statements indicate that this is necessary. With \$22.1 billion in net income in 2018, they're clearly financially solvent without cloak-and-dagger practices that alienate its customers.

If Facebook wants to stop scaring users from its platform, they could stop doing activities that threaten their most important sources of income.

Formal Recommendation

Facebook needs to escape its reputation as an evil corporation by focusing efforts away from its flagship product. WhatsApp and Instagram have billions of monthly users because they offer more targeted utility than Facebook's one-size-fits-all approach to user interaction. If it can't stop data leaks from happening and won't move away from unethical actions to make money, it needs to diffuse this reputation among a network of regionally targeted social media platforms. By way of example, VK is a profitable social media company that neatly captured Russian and Eastern European markets. Facebook can target emerging markets in a similar way. By being the first to the scene for people who are gaining internet access for the first time, they can target users who won't immediately recognize the invasion of targeted advertising or the impact of a data leak. Disposable income in these demographics is posed to increase dramatically – Facebook can profit by not allowing locally competitive social media networks to develop in the first place.

This solves the issue of market stagnation not by generating more users, but by generating more complex profiles of users as they interact with products designed to target different behaviors. Ideally, the data they collect on a single user on multiple subsidiary networks can work in aggregate to increase the value provided to advertisers. While they gain new users, they can find ways to further capitalize on existing users.

More specifically, Facebook should make sure to meet these requirements:

1. Increase its product variety inline with its acquisitions of Instagram and WhatsApp. Both applications have been valuable additions to the Facebook ecosystem, with billions of active users. By increasing the number of networks available, they can further target specific demographics by advertising to them on focused platforms more closely dedicated to the type of user they want to target. Instagram is a powerful presence in the youth markets, and WhatsApp has incredible international staging. On these platforms, they capture the full potential of certain demographics in a way that the one-size-fits-all design of their flagship site cannot. Furthermore, as seen with Instagram, people flee the flagship product and run to a subsidiary network frequently enough. Rather than act to mitigate people fleeing Facebook, they should create offerings that keep users logged-in to a larger network of social media networks owned by Facebook.
2. Although it's already dominant in emerging markets, this position is tenuous and could be strengthened by a renewed commitment to these communities. First, begin establishing partnerships with advertisers to increase its international presence. Second, If Facebook enforced better organizational awareness of local politics, they can avoid making the mistakes they've made domestically. Finally, developing countries will one day be economic powerhouses that Facebook can't afford to ignore. Capturing these markets means synergizing with the first requirement by designing social media platforms for specific regions. By way of example, the social media network VK succeeds purely by its capture of Eastern European userbases. Facebook needs to develop the VK of markets that don't already have substitute goods.

Implementation Plan

Timeline

In the next year:

- Reorient Facebook's R&D around hyper-targeted social media platforms to increase the marketability of its advertising partnerships, and to capture people fleeing the larger Facebook platform. Don't abandon Facebook, but diversify for the sake of redundancy in case Facebook's flagship product begins to wane.
- Increase community outreach efforts in developing nations and emerging economies.
- Increase understanding of different consumers and conduct testing to see what features a geographical region would find desirable in a social media network. Discover niches and investigate how to connect these networks.

In the next five years:

- Begin launching subsidiary networks to capture emerging markets. Establish a common hub for these networks (ideally, this remains the flagship Facebook.com product). Decide to commit to either WhatsApp or Facebook Messenger as the central messaging functionality of these networks.
- Begin launching new flagship products for established markets. In the context of the US, this could be a product like Instagram targeted at a specific demographic of internet users.
 - This could involve acquiring Pinterest, which is dominant in females above the age of 40. The acquisition should be as quiet as possible, and Facebook should focus its efforts on

integrating the Pinterest ecosystem to their current data-mining procedures. Use data from Pinterest to inform targeted advertising on other platforms.

In the next ten years:

- It's difficult to predict what the digital environment will look like in ten years due to the rapid pace of technological progress. The vision of this plan, however, puts Facebook a controlling position to shape what the digital landscape will look like. If they've captured emerging markets and further entrenched themselves with existing demographics, they'll be able to edge out competitors.

Contingency Plan

Facebook should prepare for individual networks to underperform at first, but also be able to recognize when a product is hopeless or overly redundant. A level-headed approach should be able to recognize when to pull the plug on new endeavors.

If this strategy fails, Facebook can fall back on a combination of the following alternatives:

1. **Becoming more ethical.** Facebook.com remains financially solvent if they stop illegally selling user data, and they can work to slowly recapture lost users by revitalizing trust through strict commitment to user privacy. Furthermore, they can avoid legislative pushback and hefty fines by not breaking the law in the first place. No one can leak harmful information if Facebook does nothing wrong to begin with.

2. **Expanding and improving their flagship product.** Facebook Inc.'s most profitable platform is still Facebook.com, and Facebook.com remains the largest social media network in the world. By increasing the value for either users or advertisers, they can increase revenues through more hours spent online or more targeted marketing.
3. **Target emerging markets with their flagship product.** Rather than trying to be the next big social media network for regional dominance (along the lines of VK), accept that users will use many social media platforms that aren't owned by Facebook. They can still increase revenue by acquiring these new users, even if they don't fully utilize their complete digital fingerprint.

Conclusion

Facebook.com is the largest social media network in the world, with nearly 25% of living humans as registered users. This dominance has allowed Facebook an unprecedented amount of integration into its users lives and offers immense value to advertisers who partner with Facebook. The main hurdles faced by Facebook have been self-sustained injuries resulting from controversies that don't respect the agency of their users. In order to overcome these hurdles, Facebook can commit to a plan of action that promises a new, more ethical horizon for the company. Because of its history, and its status as a corporation, it's likely that it could see more explosive growth by diffusing its negative reputation among many brands that seek to be more regionally targeted than its flagship website.

In either scenario, Facebook remains positioned to make sweeping changes to the way people from all over the world interact online. Whether by peace-offerings or aggressive expansion, it's likely that Facebook will continue being a financial powerhouse into the future if they can only control the narrative surrounding their controversies.

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