

January 10, 2011

## What Future Does Facebook Have?

The key question that everybody has when they go to the world wide web is a simple one: "What do I need to know?" Different web companies give different answers to that question:

- **Wikipedia:** You need a summary overview sketch of a particular person, place, thing, or event that you already have in mind--and we will provide you with such a sketch, written by a tag team of altruistic left- and right-libertarians and by some people who care too much about the topic.
- **Google:** You need to know what pages on the internet have been most linked to by others and that contain keywords that you already have in mind.
- **Facebook:** You need to know what your friends and your friends of friends already know that you do not.

Facebook thus has a different answer--and it may well be a better answer.

David Gelles:

Facebook's grand plan for the future: After the public presentation I join Zuckerberg... for 40 minutes he talks animatedly.... "If you look five years out, every industry is going to be rethought in a social way," he says. "You can remake whole industries. That's the big thing." His ambition, it turns out, is not simply to make Facebook an influential technology company, but the most important company in the world. "You can integrate a person's friends into almost anything and make [it] instantly more engaging and viral," he told me. "You care so much more about your friends. It's not an intellectual thing. It's hard-wired into humans that you need to focus on what the people around you are doing. It's this very visceral, deep thing. That, I think, is the structural thing that is going to make it so that all these industries change."

Zuckerberg uses the word "social" a lot, and it's not always obvious what he means.... To Zuckerberg, a more social world is one where nearly everything – from the web to the TV to the restaurants you choose to eat at – is informed by your stated preferences and your friends' preferences, and equipped with technology that lets you communicate and share content with people you know....

Zuckerberg seems at ease. "The fear is behind him," said a friend of Zuckerberg's. "Until a year ago, he thought this might be the next Google, but he wasn't sure. Now he's sure. The fear is gone." Facebook's soaring user base and booming revenues are, strangely, not really what is behind this shift in disposition.... Facebook is no longer merely a social network, where users check out updates from friends, glance at photos and play some games. Rather, it is making moves to be an essential part of the entire online experience. The company is becoming people's homepage, e-mail system and more....

"They made this very ballsy decision to transform themselves from a place where everyone came to – a destination – into a service that lets me take my information everywhere," says Sam

Altman, chief executive of Loopt, a location services company that works with Facebook. Facebook colours this as a win-win for the sites with which it works. By giving sites such as The Times of India and TVGuide.com access to Facebook's graph of friends, it allows them to draw in new traffic and easily acquire new users. When movie review site Rotten Tomatoes integrated with Facebook, the number of reviews on the site doubled. Facebook, of course, benefits too. By implanting its links and cornflower blue "f" logo on millions of pages, the company is enmeshing itself deeper into the fabric of the web, one site at a time....

If Zuckerberg is to be believed, we are rapidly moving from a world where the web doesn't know who you are, to a world where the web knows exactly who you are. "What we're imagining is very different," says Chris Cox, who dropped out of Stanford to join the company in 2005 and is now one of Zuckerberg's closest lieutenants. "If you imagine a television designed around social, you turn it on and it says, 'Thirteen of your friends like Entourage. Press play. Your dad recorded 60 Minutes. Press play.'" In other words, the world will be experienced through the filter of one's Facebook friends.

Zuckerberg points to companies such as Zynga (built on Facebook's Platform) and Quora (a question and answer service founded by former Facebook employees, which relies almost exclusively on Facebook for users) as examples of companies building around social "from the ground up". "The real disruption is going to come from people who are rethinking these spaces," he said.... But seeing as Facebook alone is the keeper of the most comprehensive social graph on earth, what they really mean is building new companies and services around Facebook. And while this may sound hubristic, it reflects Zuckerberg's belief that Facebook's map of human relationships is among the most important developments in business history. "That, I think, is the strongest product element we have," he said. "And [most] likely one of the strongest product elements that ever has existed."...

Industry veterans stress that Facebook may not be the only identity one has on the web. "I think there will be a couple of different identities on the web," said John Donahoe, chief executive of Ebay. (Ebay, which owns PayPal, works closely with Facebook.) "Facebook will be one of the identities you carry with you. The identity we're focused on with PayPal is your monetary identity. It's not one where you want to share all your information." And while Facebook has the early lead, the changing nature of social structures makes this an inherently dynamic industry. "The fluidity of social networks is one of the reasons it's not entirely clear that Facebook will be the be-all and end-all," says one prominent social media executive. So far, however, no credible alternative has caught on...

Sourced from: **The Semi-Daily Journal of Economist J. Bradford DeLong: Fair, Balanced, and Reality-Based**

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## EdgeRank: The Secret Sauce That Makes Facebook's News Feed Tick

Jason Kincaid

Yesterday at its f8 developer conference, Facebook engineers Ruchi Sanghvi and Ari Steinberg gave what may be the first thorough walkthrough of the underpinnings of Facebook News Feed, the all-important page that users see when they first log on to the site. After giving an overview of the history of News Feed, which has evolved quite a bit since it launched in 2006, they offered some insight into the algorithms that allow News Feed to show you relevant content, collectively called EdgeRank.

You may not realize it, but News Feed only displays a subset of the stories generated by your friends — if it displayed everything, there's a good chance you'd be overwhelmed. Developers are always trying to make sure their sites and apps are publishing stories that make the cut, which has led to the concept of "News Feed Optimization", and their success is dictated by EdgeRank.

At a high level, the EdgeRank formula is fairly straightforward. But first, some definitions: every item that shows up in your News Feed is considered an Object. If you have an Object in the News Feed (say, a status update), whenever another user interacts with that Object they're creating what Facebook calls an Edge, which includes actions like tags and comments.

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### 6. NFO: News Feed Optimization

EdgeRank

$$\sum_{edges\ e} u_e w_e d_e$$

$u_e$  - affinity score between viewing user and edge creator

$w_e$  - weight for this edge type (create, comment, like, tag, etc.)

$d_e$  - time decay factor based on how long ago the edge was created

Each Edge has three components important to Facebook's algorithm:

- First, there's an affinity score between the viewing user and the item's creator — if you send your friend a lot of Facebook messages and check their profile often, then you'll have a higher affinity score for that user than you would, say, an old acquaintance you haven't spoken to in years.
- Second, there's a weight given to each type of Edge. A comment probably has more importance than a Like, for example.

- And finally there's the most obvious factor — time. The older an Edge is, the less important it becomes.

Multiply these factors for each Edge then add the Edge scores up and you have an Object's EdgeRank. And the higher that is, the more likely your Object is to appear in the user's feed. It's worth pointing out that the act of creating an Object is also considered an Edge, which is what allows Objects to show up in your friends' feeds before anyone has interacted with them.

In other, hopefully less confusing words, an Object is more likely to show up in your News Feed if people you know have been interacting with it recently. That really isn't particularly surprising. Neither is the resulting message to developers: if you want your posts to show up in News Feed, make sure people will actually want to interact with them.

Some other interesting points: Steinberg hinted that a simpler version of News Feed may be on the way, as the current two-tabbed system is a bit complicated. That said, many people still use both tabs, with over 50% of users clicking over to the 'most recent' tab on a regular basis.

There were some things that the Facebook engineers wouldn't talk about — the group sort of punted on a question regarding how stories initially get seeded, explaining that they weren't going to unveil all of EdgeRank's secrets. But they did say that there are some signals involved that weren't detailed during the talk, and that they're experimenting with more, like analyzing the outbound links users click on.

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## A Beginner's Guide to Facebook Insights

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You have created a Facebook Fan Page. Now what? I bet these questions come to mind: "Is my page a success?" "Who is engaging with us?" "Is our engagement effective?" "Does our content strategy work?"

The Facebook Insights dashboard will help you answer some of these questions. As defined by Facebook, "Insights provides Facebook Page owners ... with metrics around their content. By understanding and analyzing trends within user growth and demographics, consumption of content, and creation of content, Page owners ... are better equipped to improve their business with Facebook."

So what's the best way to use this relatively new tool? We've outlined some steps below that should have you measuring Facebook engagement in no time.

Note that only page administrators can view Insights data for the properties they own or administer.

### Examine a Wide Range of Data

There are two types of Facebook insights:

**User Insights:** Total page Likes, or a number of fans, daily active users, new Likes/Unlikes, Like sources, demographics, page views and unique page views, tab views, external referrers, media consumption.

**Interactions Insights:** Daily story feedback (post Likes, post comments, per post impressions), daily page activity (mentions, discussions, reviews, wall posts, video posts).

The question then becomes: "What do you want to track and measure?" There is a lot of data offered, but you want to sort through it and identify what information is meaningful and will help you make decisions about your engagement and content strategy. If that data is not readily available, you might want to do some manual calculations to derive the numbers you're looking for.

Below are the insights I recommend you pay attention to and track.

**Monthly fan size growth:** Record the number of fans (or "Likers") you have on the first of every month to see what your growth looks like. I'd say if you are growing organically and you have 10 to 13% monthly growth, you are doing extremely well. That is probably the highest organic growth number anyone can achieve. You can even go more granular and calculate weekly growth. Whatever you decide to do, make sure to watch for the spikes in fan growth and try to identify what contributes to those spikes.



**The average number of Likes or comments:** These are your engagement measures. If you know the average number of times fans interacted with you for every single post, you will be able to identify which discussions are of more interest to your fans. Watch for unusual spikes or drops in this number. I love this metric because it is extremely helpful in making immediate decisions in your content strategy and changes to your editorial calendar. Increase the number of posts around the topic your fans are more engaged with and decrease the number of posts around topics they are not interested in.

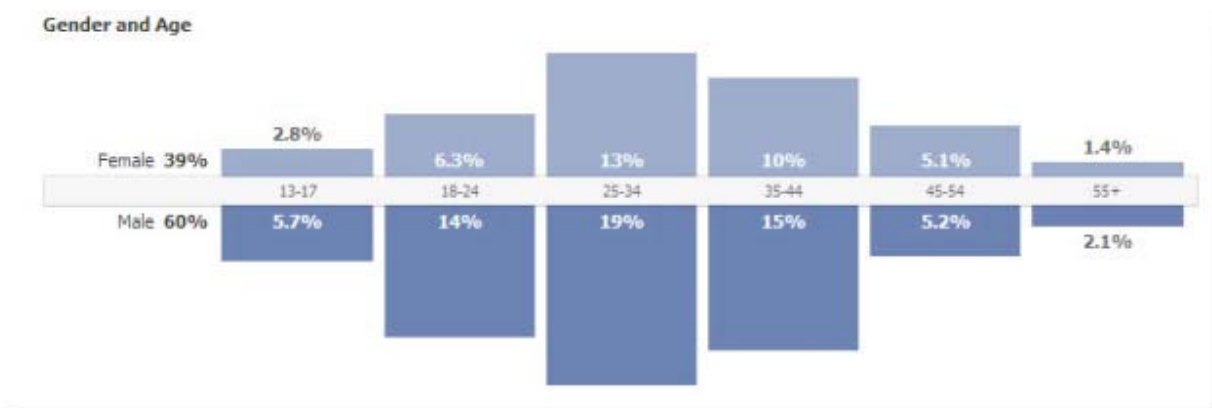
**Unlikes and attrition rate:** The fact is that you will always have some unsubscribers, no matter how great your engagement is, but hopefully it is just a small number. I usually just watch for spikes in the unlike numbers. You want to try and correlate them with the activity on your page and understand why people are leaving your page. It is rather hard to nail down the exact reason, but if there is an unusual spike, you will usually have a pretty good idea.

The simple attrition rate formula is:

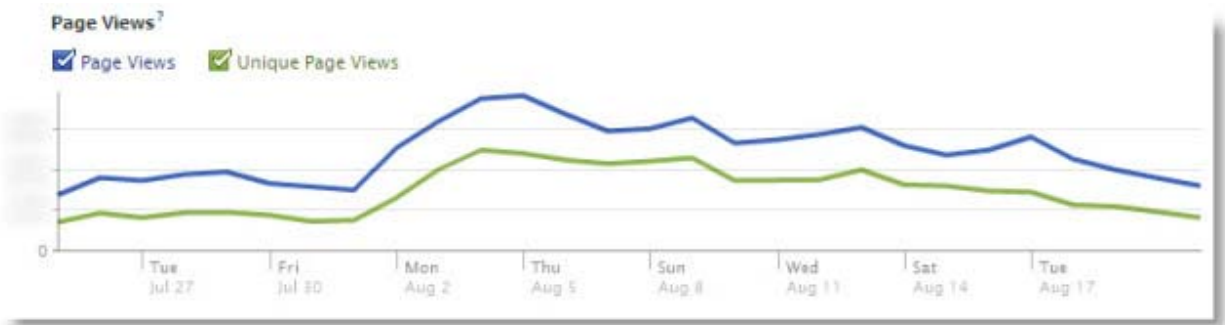
Daily Unlikes / Daily Fan Count

This metric will tell you how many of your fans are leaving your site. It is normal to have small constant attrition over time.

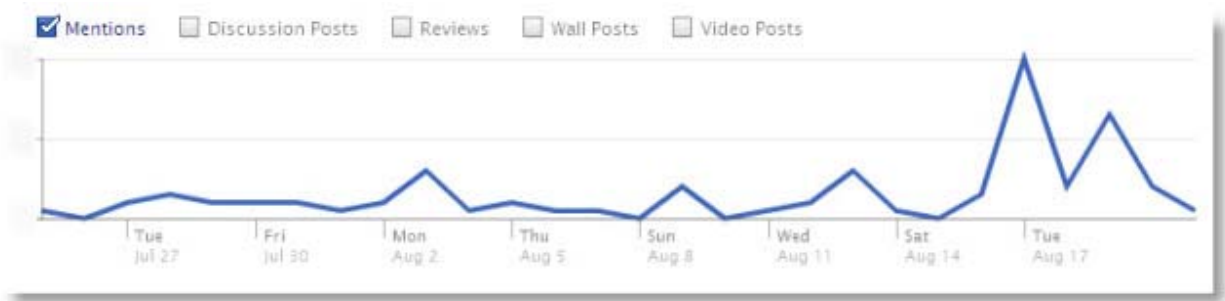
**Demographics:** No matter what your objectives are, you can always find the demographics data useful: the gender of your fans, their ages and where they are from.



**Page views:** I like this metric because it helps you identify the number of returned fans. If you take the number of page views and subtract the number of unique page views, you will see how many of your fans are actually coming back to your page. You can also look at the Daily Active Users metric.



**Mentions:** This is the number of times someone tagged you in their post. The reason why this metric is important is because it is the easiest way for your fans' friends to click through to your page. Every time someone tags you, the name of your Page appears as a link. It is much easier for someone to click on that link and learn more than to search for your Page manually. One of your goals should be to increase the number of mentions by your fans.



**Tab views:** This is the new metric Facebook implemented a couple of months ago. If you have multiple tabs on your page, it will tell you which tab gets what percentage of traffic. This metric will help you decide on whether you would want to keep or maybe get rid of some of your tabs. This is especially helpful as you can only have six tabs visible on your page at one time, and this data will help you prioritize accordingly.

**Referrers:** Another new metric that tells you where the traffic to your page comes from. You want to

**Impressions:** If your page is over 10,000 fans, you will see the number of times your post was viewed — impressions. This metric is not exact since every time someone's page refreshes, it counts as an impression. This number is usually a little overblown, but can show you how many times your post has been seen.

Some of these metrics require constant manual tracking and analysis, which is a big downside. However, the above metrics will help you make decisions about your engagement and content strategy that would allow more effective interactions with your customers.

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