

Wells Fargo Tech Summit

Company Participants

- Gary S. Briggs, CMO and VP

Other Participants

- Kenneth Michael Sena, MD, Head of Internet Equity Research & Senior Analyst, Wells Fargo Securities, LLC, Research Division
- Peter Coleman Stabler, Director & Senior Analyst, Wells Fargo Securities, LLC, Research Division

Presentation

Peter Coleman Stabler {BIO 16258799 <GO>}

Good afternoon. Thanks for joining us. I'm Peter Stabler and I'm joined by Ken Sena here. We cover Internet, Internet advertising for Wells Fargo. And we're very excited to have with us today Gary Briggs, Chief Marketing Officer of Facebook. Gary's been with Facebook for just about 4.5 years. And prior to Facebook, he has run marketing operations for a who's who of world-class brands, including Motorola Mobility, Google Consumer Marketing, eBay, IBM, Pepsi and began his career at McKinsey. Gary, thanks for joining us.

Gary S. Briggs {BIO 6394054 <GO>}

Thanks, Peter, yes.

Questions And Answers

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

So I just wanted to start, if you think about Facebook, 2 billion users. WhatsApp, 1.3 billion users. Messenger, over 1 billion users. Instagram, closing in on 1 billion users. It sounds like you've won the marketing game. Why does Facebook need a CMO?

A - Gary S. Briggs {BIO 6394054 <GO>}

I get that a lot, particularly at cocktail parties. One of the -- I usually say that's why they hired me, because that's -- works out that way. But I think one of the things that we've particularly been focused on is getting people who are using these apps to understand them more deeply, use them more deeply. So you certainly -- one of the, obviously, the keys to apps and software is retention. And we've been very fortunate to have very good retention. But part of that retention is people understanding the products better, using the products more deeply and that's where we're focused.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

So you're probably, in your seat, best positioned among any of the marketers we talk about to comment on the digital transition. And across the landscape, I think a lot of investors are seeing some really storied marketers, let's say, in the CPG space, stepping back this year and reevaluating their processes. We have a number of activist investors involved. Wondering if you could comment kind of broadly from where you sit, on where are we in this digital migration, who gets it and who doesn't? And what has to happen for more analog marketing to go digital?

A - Gary S. Briggs {BIO 6394054 <GO>}

Sure. I mean, I think the -- and by the way, to the audience, I apologize. I'm getting over a chest cold. So I don't always sound like this. And altitude has a certain impact on chest colds. I can't wait to get to sea level again. But the -- but I think there's a few things. First of all, I find, as somebody who's been working in marketing since the mid-80s, that the consumer Internet is over 20 years old. And I think the moves towards overhauling marketing organizations have been way too slow. And right now, we're in this period where I think 4 of the largest CPG companies in the world have activist investors. And really, what's going on is they're being impacted by companies that are coming in, whether it's shaving, toiletries broadly, housewares, you're going to see this in more and more consumer products, where they're being really impacted by companies that are coming in and using a different way to get to people than traditionally has been done. I think to change, I think these companies have to fundamentally overhaul their marketing organizations. And if you talk to CMOs of other companies, one of the questions I think is an insightful one to ask them is literally who sits around. And the people who should be sitting around are the folks who understand data and analytics as much as the people who understand brand and advertising. And typically, folks who are kind of, of my age group who work in marketing, they're surrounded by the brand and advertising people. Unless you have a really strong quantitative capability in your marketing organization, you're probably not making the move fast enough. And it is extraordinary still where those folks often are in the technology organization, they're not even in marketing. They don't have the capabilities to do that. So that's, I think, a big change. And that organizational change needs to happen more quickly. But the companies that are doing this well are the ones that you might imagine, that are, particularly, the ones that are more mobile-centric, apps like Airbnb, Uber, Lyft. Companies like booking -- or Priceline Booking have done a really good job we see in terms of they're very much companies that, in their marketing organizations, can do 2 things well, which is they're very good at driving conversations with their consumers and they're very good at quantitative marketing.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

Do you think the pace of change is really posing a significant problem for them?

A - Gary S. Briggs {BIO 6394054 <GO>}

For which company?

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

For these legacy marketers, right?

A - Gary S. Briggs {BIO 6394054 <GO>}

Yes, yes. I mean, I think they...

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

Facebook is introducing new ad products on almost a daily basis. You're introducing new targeting capabilities on a weekly basis. Do you think that, that has fundamentally changed the ability of these marketers to kind of keep pace with consumer habits?

A - Gary S. Briggs {BIO 6394054 <GO>}

I don't know if that's as much -- I mean, one of the things we're trying to do is respond to our customers to build products that are easier to use; have better returns for them; and obviously, scale quite well, given the user bases that we have and the folks that they want to reach. So we work with ad agencies quite broadly. We work with our marketing partners, which we call SMPs, quite broadly around the world and are doing that as a way to help large advertisers and also SMBs to scale quickly with us. So part of what's behind our innovation is to be the best advertising platform available. And so we want to do that with -- and help our customers scale to take advantage of that.

Q - Kenneth Michael Sena

Gary, maybe in your role, how has the data science side changed maybe a bit since you've been at Facebook in terms of bringing those teams around?

A - Gary S. Briggs {BIO 6394054 <GO>}

Yes, I mean, certainly, I get -- one of the questions I get asked, particularly working at Facebook, I get asked, particularly because of my age, a lot of parents will ask me if their kids can get a job at Facebook. And I -- please don't send me any resumes after this. And a lot of them are -- I will say, we will hire as many data scientists and analysts as we can. And it is because whether it be on the customer-facing part of the business or the advertising facing part of the business, as an example, the ability for us to really get insight in terms of how products -- early products, early features are getting traction, for example. Peter, to your point just a moment ago, ad products, how are those being used? What kind of returns are advertisers seeing in those? We want to be able to make sure we're providing that and getting those insights quickly, which data science is required.

Q - Kenneth Michael Sena

On the innovation side, though, too, how do you balance maybe the more data-driven kind of approach with the human-driven in terms of bringing those aspects together?

A - Gary S. Briggs {BIO 6394054 <GO>}

Yes. Well I think this is a broad skill that I think most marketers need. You do need to do both. So we have a very clear brand strategy of the things we want to focus on as a company, the things we want to focus on for our individual brands. And it's part and parcel that we -- if we have a set of things or initiatives we want to launch, we go back to that strategy. Then similarly, we -- the bulk of my organization, as an example, is actually in product marketing. So we're -- our folks are actually embedded with product managers and engineers working on new features, new apps, et cetera. And we're working, again, with data to look and understand how are people using the products, how might that might be different around the world, are there insights we can gather from that to then deploy maybe a broader feature to more people and more places. So you're really just doing both at once.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

When you think about your top 3 priorities for this year, could you help us understand where those lie?

A - Gary S. Briggs {BIO 6394054 <GO>}

Sure, yes. I mean, I think there's really a few things. One is -- and I know there's been a lot of analysts interested in this. We launched a product about 8, 10 weeks ago called Watch. It's early days, very early days for that. But we're looking at how to develop a system around that -- basically, a user system where people are developing content, more professional contributors developing content, as are we. And figure that out. So that's early, early days. And we're doing a bit of marketing with that product to, again, look at early adopters, look at merchandising the content as a way to show the best opportunity for people to engage with that product. Another one is in the area of integrity. And that's really -- that's a little bit of an inside baseball term. But it really kind of relates to 3 things: it's ads integrity, news feed integrity and what we call community integrity. And in each of those areas, we have -- and Mark talked about this in the last earnings call, we're making significant investments to just be better. And there's a lot of work we need to do to be better, given the range, speed, diversity of content that is on our system. And I'm happy to go into more detail on that if you'd like. Then the third, which we're very active in and developing user pathing, talking very broadly with regulators about it, is GDPR, which goes into Europe in May of next year, because we think that is certainly a pretty seminal point to really understand the new regulatory regime in Europe. But I think even more so from a marketing standpoint, we actually do think it's an opportunity to recommunicate to people exactly how we use data, exactly how they can understand how to use the product better. And that's what we're planning to do.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

The transparency piece of the data usage has been a focus of Facebook for a couple years now. Can you give us any sort of kind of anecdotal insights as to how consumers are engaging with that? There are actually a lot of tools available to consumers on the platform. And I would assume that part of your efforts are to keep the population educated on how they can control their experience.

A - Gary S. Briggs {BIO 6394054 <GO>}

Yes. I mean, I think broadly speaking, we all get used to using apps in a certain way. And once you get used to using an app in a certain way, you end up developing a little bit of what I call wallpaper syndrome, where other features, other functions in the app, you may not see that. A classic example is like Word or Excel. And what I've found is the more we actually help people understand the product, the more satisfied they are with the experience and the more loyal they become. So a specific example. A few years back, we had a change in our terms of service and we'd had previous changes in our terms of service before to keep up with regulation, as an example. And so when we were changing the, what we call the TOS, terms of service. And the statement of rights and responsibilities, the SRR, we looked at that and said, "Okay, much like with what's upcoming in the GDPR, there's an opportunity for us to communicate better to people about how to use the product." So we created a set of modules called Privacy Basics. And we also overhauled the privacy and security center on the site to make it more simple and easier to use. Now again, a lot of this you can look to where you understand how people are using the product and use that as a way to inform what you end up communicating. Two things: one is we looked at the help pages that people were going to, what were the ones that were the most frequent help pages, how good is that content, how might we take individual pieces of content and combine them into modules that do a better job explaining? And another example is when you're in the product and you do something, we might then communicate back to you, post that action. And communicate something to you about how to use the product better. For example, if I am posting a lot about my chocolate labs and your tired of seeing dogs in your news feed from me, you might unfollow me. And if you unfollow me and your next user -- next time you come on, you might see a piece of content that on top of feeds that says, "Hi. you just unfollowed someone. Would you like to know more about privacy settings?" And in each of these opportunities, much like you would as a merchant, you're looking for pieces of content. You then show that's the next logical thing to show someone. And you use that as an opportunity to then, again, enrich their understanding of how to use the product.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

Broadly speaking, it speaks to the power of the feedback loop, right? You have a persistent login. This is something that we talk about and a lot of analysts talk about. One of the fundamental advantages of Facebook is that you have a persistent login across your products, whether -- irrespective of whether it's a phone, a tablet, a TV, a PC, et cetera.

A - Gary S. Briggs {BIO 6394054 <GO>}

Type of devices they're on, what feeds they're on, yes.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

Yes. So you're able to measure in real time the reaction to every change you make. If you rewind the clock to when you were at Pepsi and compare and contrast what Pepsi -- what kind of data can they be gathering about how people are using their

product? I mean -- and how much data is sitting on the shelf rather static and unused in these types of companies?

A - Gary S. Briggs {BIO 6394054 <GO>}

Well I mean, I have 2 -- I mean, 2 points: one is, look, this is the best marketing job on the planet because you have the opportunity to know, if I show this part of the room a set of communication; then I withhold this part of the room from (recused) communication, I know the impact on not just attitude but behavior. I mean, it's pretty extraordinary. And if I go back to when I was at Pepsi, we would do really large sweepstakes. We used to do one called Pepsi Stuff, if folks are old enough to remember Pepsi Stuff, where you bought enough Pepsi and you got Jeff Gordon's racing jacket or something like that. And we'd get done with all that and literally just throw the data away. There was no use for it. And I don't know if it's gotten much better since. You have to look for every opportunity where people are reaching out to you and want to communicate with your brand. And your job as a marketer is to drive the conversations about your brand. So the way -- the best way to do that is to look for opportunities where people are saying something to you and aggregate that, because what's happened is consumers now expect the experiences that they have should be good everywhere. One of the things we see in advertising, as an example, is one of the pieces of feedback we get about advertising and why we want advertisers to make advertising better is because when people look at an ad that's highly relevant to them, it has more usefulness to them. And they're actually more satisfied with the ad. So people expect that much like if you call up a call center if you're trying to get a flight home and you're calling Delta and you could be logged into Delta. And then you get to the customer service agent and they don't have any of the information that you had from when you logged in, you're like, "Why did you have me log in?" So everybody's expectations now is the highest and best. And I think what offline companies need to do is move more towards digital capability. And I'm not necessarily saying it has to be digital advertising in and of itself. But they have to be capable in a way that engages with conversations with people to their expectations.

Q - Kenneth Michael Sena

And Gary, are there examples where Facebook really goes -- wants to go off Facebook in terms of some of the marketing efforts, whether by category, geography or other?

A - Gary S. Briggs {BIO 6394054 <GO>}

Sure. We've done that a few times. We went off, what we call, off-platform. So that is -- one of the largest advertisers on Facebook, by the way, is Facebook. So we're -- we use a lot of ad sets. But we have gone off-platform. And in particular, when we launched Live, we did that in a number of markets, particularly the U.S. and the U.K. And again, the reason, much like we do at times -- I mean, we were simply trying to make sure that people understood the product as quickly as possible and also look at new -- a new usage occasion maybe that people might otherwise see in the product. Similarly, we've been running a campaign for the last 10 months in Germany. Germany is not as highly penetrated as a market as we like it to be. A lot of it has to do with cultural norms, which are totally understandable and respectful. But

again, we found one of the things we could do is we went out and interviewed Germans first-person, had them -- the way the ads work, if you haven't seen them, is a German complains about Facebook. Then we actually come back with the answer that's in the product of what they're complaining about. And we found it to be very effective as a way to overcome the urban legends, if you will, of what Facebook supposedly is. And it's actually worked very well to drive engagement and overall metrics for us in Germany.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

You made a point last night that the majority of the world experiences Facebook on a 2G network on an Android device. So as you think about the geographic breadth of Facebook and the breadth of products you offer, I mean, how challenging is it for you to be culturally sensitive, to be technologically relevant across, I would guess, 150 countries or more? Everywhere ex China, I guess.

A - Gary S. Briggs {BIO 6394054 <GO>}

Yes. And North Korea, I think, as far as that.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

Oh, you guys aren't there yet?

A - Gary S. Briggs {BIO 6394054 <GO>}

I don't know if anybody is. One guy is there. We know that one guy is there.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

How big a challenge is that for you?

A - Gary S. Briggs {BIO 6394054 <GO>}

Well I think the organization is rather global in and of itself, although I think one of the things we're trying to do as a company is become more and more so. But we do a lot to recognize the very fact that you mentioned, Peter, which is most people are not on an iPhone on a 4G waiting for a 5G network. So we look at app load time. We look at the actual weight of the app itself in terms of as people look to use the apps. And try to be building products that recognize, as you mentioned much earlier, what's the device they're coming in, what's the speed they're coming in at and how far are they along in the curve in terms of usage of the product. Facebook Lite is a product, as an example, that's been very helpful to us in those environments where people don't have a 3G, 4G network, because you can't -- particularly, you can't see video and you probably can't see photos in that environment. I think culturally, one of the things that's an interesting example is today is Tuesday, we have on Messenger inside the company a thing called 2G Tuesdays, where we slow down everybody's service in the company and we operate -- you operate on -- your Messenger actually operates on a 2G speed, just to remind everybody that most of the world does not have what we have, as a way to just drive recognition and understanding across employees.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

Interesting.

Q - Kenneth Michael Sena

And on the point about moving into new markets and maybe driving some engagement, are there data sets that Facebook can benefit from that Facebook doesn't already have?

A - Gary S. Briggs {BIO 6394054 <GO>}

Are there (inaudible)?

Q - Kenneth Michael Sena

Data sets like third-party or...

A - Gary S. Briggs {BIO 6394054 <GO>}

I mean, I can't speak to that specifically. I -- we certainly work a lot with data partners. We find that, broadly speaking, the more that we are able to be very kind of upfront about the data we're collecting and using, not only from a regulatory standpoint. But from a user understanding standpoint, the better we are. Because I think people, particularly younger consumers, get a pretty good understanding of the bargain and kind of the trade-off that they're having in terms of using these apps. So I can't think of anything in particular where -- we have good partnerships with companies like Nielsen, as an example. And lots of them around the world. But nothing in particular I can think of.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

When you think about the scale of Facebook from an advertising perspective, one statistic that continues to stun me every time I hear it is that you have 6 million advertisers globally, right? So that means that you're designing ad products for the local wedding photographer all the way up to PepsiCo and General Motors. How can what you're doing help the ad product development team kind of get a view into how to solve some of those problems for small marketers? And would you agree that that's a number that could potentially expand greatly?

A - Gary S. Briggs {BIO 6394054 <GO>}

Well I mean, I think you have to look at how many people actually have a page on Facebook. I think it's about a little more than 10x of the number of advertisers, active advertisers we have. So page owners clearly have put content into the system. They are indicating that they want to do business on Facebook. And we find that's a great on-ramp. Then certainly, one of the things we're trying to do broadly is simplify the ads products as a way to allow more customers to get on, understand exactly the kind of product they should use, making sure that through the -- if you actually go and you go to -- I don't know how many folks here have actually tried to advertise something through the Facebook platform. But we try to be very good at like what's your goal, what are you trying to achieve. We try to make sure that -- we tell people

don't try to spend a lot right out of the gate, test and learn as fast as possible. We try to make those tools very easy to use. Then also, we put a lot into, the last two years in particular, into Facebook analytics as a way to create much more of a device-agnostic view into your -- the results that you see. So we love the fact that more and more small businesses are creating their capability on Facebook. Really -- frankly, we're really very proud of that. And the more -- that you're going to see us put more and more effort into generating kind of small business communities around the world, because we think that's a great testament to the power of the platform.

Q - Kenneth Michael Sena

Maybe can you expand on that a little bit in terms of maybe managing trust as a way of bringing that business in? Or even in the context of the recent election involvement by Russia, et cetera, like how do you, broadly speaking, manage trust in the platform?

A - Gary S. Briggs {BIO 6394054 <GO>}

Sure, I mean, look, I -- you said Russia, is that what you said?

Q - Kenneth Michael Sena

Including, just managing trust overall across.

A - Gary S. Briggs {BIO 6394054 <GO>}

Yes, I think Mark certainly talked about this in the last earnings call. We should have been better, need to be better and are going to invest a lot to be better. And as part of that, one of the things that we are doing is to really focus more on -- at a set of areas, ads integrity and overall news feed integrity, which I mentioned, really reinforcing the core purpose of why people come to Facebook in the first place, which is really to get -- develop a better understanding of friends, family and the world around them, much more invested into communities. So that's kind of our internal word for how we think about Groups, where we do find the more that people become engaged with Facebook Groups, the more value they find in the platform and the real kind of amazing stories that come out of use of the platform. Then finally, in terms of small business and kind of -- small businesses and job creation. The ability for small businesses to be at equal footing with larger ones is one of the really amazing parts of major digital platforms. It is back to the earlier question you had, Peter, of why is this disruption happening in the first place. Gerstner used to say, when I was at IBM, "I've never met a small business that wants to stay a small business." And so the more that you can actually have these tools and whether it's in your neighborhood regionally or being able to be in one place and ship globally, that's what these platforms are able to do. And we're going to invest much more there.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

So you mentioned Groups. And to me, Groups is one of the kind of overlooked pieces of Facebook. And another area that I think doesn't necessarily get as much attention as it should is Marketplace. Marketplace has been around for a while. It

doesn't feel like there's been an aggressive push behind Marketplace. How should we be thinking or how is your team thinking about the role of Marketplace to play?

A - Gary S. Briggs {BIO 6394054 <GO>}

Marketplace is a great example of where we saw people using our product in another part of the world that we didn't expect and then behind that, ended up building a product about it. Particularly in Southeast Asia, particularly Indonesia, we saw group activities. So back to the point of Groups, Peter, group activity where people were buying and selling within Groups. So we created a product around that. And as we've done that, we've expanded to more and more geographies. The point in fact, though, is, certainly for me and the role I have in terms of the brand, buying and selling is a different experience than us creating just information in and of itself. And we want to make sure that the experience that people have is a good one, that has trust to it and safety. So we have been -- that requires a lot of scale. And the tools to that, working the cues of that, to make sure that people flag a product or flag somebody who is selling something or buying something for that matter, that we have security operations in place to make sure that's going to scale well. So that has been the rate-limiting step, to a large degree.

Q - Kenneth Michael Sena

Got it. And maybe can you talk a little bit more specifically about how closely -- sorry, maybe a little bit more specifically about how closely your team works with product development and maybe the other marketing teams as well within Facebook?

A - Gary S. Briggs {BIO 6394054 <GO>}

Yes. So our team is comprised of 3 or 4 sets of folks. We've got research and analytics folks. So qual and quant folks. We've got creative and media folks and then we have product marketing. And the majority of our team is actually product marketing. So in that case, they are actually embedded with the product managers and the engineers. So I made a reference earlier about ask a CMO who sits around them. In my case, actually, the product marketers by and large don't sit around me because they're sitting around the product managers and engineers in whatever building there. It could be the folks who are working on Messenger or profile or Search and News Feed, certainly. Then just to be, clarify a little bit earlier, my team's responsibility, we don't have responsibility for the B2B part of Facebook. That runs through the sales team. So there is a product marketing organization that's embedded with the ads engineers and sales engineers and that team works similarly -- very similar to ours and in partnership with us. But in each case, we're working very early on to do consumer or advertiser research, to some of your questions about what are the best feature sets. If we do see something that is occurring in one part of the world that we can translate to another part of the world, how might we do that. If we are dealing with a crisis like recently we were in the U.S. around the Russian investigation, what are people saying outside the media, what are people actually reacting to and how should we react to that? All that is really part of our team. But that's essentially how we're broken up and distributed.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

I want to move back to video for a second. So there's a lot of debate in the investor community around television. And the viability of television, linear TV going forward, the effectiveness of the 30-second TV commercial. I mean, 20 years ago, there were industry experts calling for the death of the 30-second television commercial. It does feel like that the digital platforms out there today, whether it's the digital capabilities of Facebook's advertising or the digital -- the video capabilities of a YouTube, are pointing to a needed change in the strategy of television advertisers. When I think about the traditional arc of a 30-second TV commercial, a Pepsi commercial maybe, storytell, storytell, storytell, arc.

A - Gary S. Briggs {BIO 6394054 <GO>}

Joke at the end.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

Joke at the end, logo card for...

A - Gary S. Briggs {BIO 6394054 <GO>}

Dogs, puppies. And what else did we do?

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

Logo card for 1/3 of a second at the end. And the digital paradigm doesn't feel matched to that. So -- and I know Facebook has been on a significant education campaign to try to help marketers understand how to do it best. You are maybe the largest advertiser on Facebook. What are your observations from back in the day when you were creating big expensive TV commercials for eBay and Pepsi, versus what works best for you from a video perspective on Facebook today?

A - Gary S. Briggs {BIO 6394054 <GO>}

Sure. I think one of the most instructive sets of people to watch on digital, including Facebook, are the comedians. So most people are like, they think of examples. And they'll think about another company and things like that. Watch what the comedians do, because I'll tell you, they are the first people to use subtitles, they are the first people to rearrange the joke structure to make it work for immediate attention span. And the reason is their content is like products. I mean, it goes stale very, very fast. So look at Colbert and Fallon and -- I have to be careful which comedians I mention lately because some of them are in trouble -- but if you look at the comedians and how they structure their content, I think that's really, really interesting to look at. For us, in terms of what we do on the platform, there's really 2 parts to that. One is we do structure the content differently. So you hit it exactly right. Pepsi's structure if it was a 30 or 60, it was like bump, bump, bump, joke. Really, you can look at the storyboards and that is how it's pretty much built. Now we actually re-changed the narrative structure in a way to deliver something really upfront that is going to gather someone's attention and then deliver something later on. In the structure of what's in a News Feed ad, there's a couple of things, one of which I think is often overlooked, which is you don't have to just watch the video to get the impression, you are seeing a newspaper ad, if you will, that's got your name on it, it's got a subtitle, then it's got a freeze frame for whatever you decide to freeze frame for your video. There is an

impression value from that. Then you get into actually how much of the video you are going to watch. And I think on that point, I think advertisers have to get comfortable with the fact that it's not about what you supply, it's about what the consumer is going to demand. And you have to kind of think about, are you respectful to that? Are you actually building content in that regard? The last, last thing I'll say on the question is I do think TV absolutely has a role, live TV, particularly appointment television, still has a role. We see that in terms of when we bought media in other markets. One piece of insight from when I was at Google and I worked on the Chrome campaign years back, when we were trying to go broadly with Chrome, we found that buying 30-second ads actually, interestingly, didn't work very well, we actually have to go to 60 and 90, because you couldn't get people's attention. Now, actually, I think we're in a very -- kind of immediately in a different era in the U.S. where I could tell you it is really hard to get consumers' attention through television right now because they are so distracted. Like buying television in the U.S. is just a hard thing, because consumers just are dealing with other stuff. And that is a euphemistic reference to politics. But it absolutely is going on culturally.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

Well I think that you've stated that as time spent on Facebook has increased, it's kind of naïve to think that there isn't a lot of multitasking going on. And what was the stat you said, that some of the peak usage on Facebook was during the commercial breaks of...

A - Gary S. Briggs {BIO 6394054 <GO>}

The Super Bowl.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

So you're not buying a Super Bowl spot this year?

A - Gary S. Briggs {BIO 6394054 <GO>}

I don't know. You never know what's going to happen this year.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

But that's really interesting. Because that points to simultaneous usage, which is making some of the old communication paradigms a lot more difficult.

A - Gary S. Briggs {BIO 6394054 <GO>}

Yes, Carolyn Everson, who runs brand sales for us, is extraordinary. I mean, Carolyn talked about people just are inventing time. And we are seeing where people are using -- doing 7 hours of media in 5 hours, absolutely is going on.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

Right.

Q - Kenneth Michael Sena

Anything you could say maybe more on the mix between kind of user-generated or premium within the context of video and whether or not that sort of shortening attention span or distractedness that you mentioned, if that kind of limits some of the areas? Or how you maybe just see those overall -- over time evolving?

A - Gary S. Briggs {BIO 6394054 <GO>}

Specifically, as it relates to -- I don't think we know. That is how I, I'd answer that question. I think that is evolving very quickly and the best that we can do right now is experiment quickly, which is what we are trying to do. Yes, I think -- I've seen, certainly, in my last kind of 15, 16 years in digital, trying to predict what a consumer is going to do is not easy and probably dumb. So the best thing is to observe quickly what people are doing and then be able to build a system to respond fast. Am I talking too quickly?

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

So -- no, you don't.

A - Gary S. Briggs {BIO 6394054 <GO>}

It's okay? Good. I'm very caffeinated, because I'm overcoming the cold. It's great actually, feels awesome.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

So when we think about, going back to Watch and we know it's very early, what are the things that consumers should be looking for? Like how are you going out to consumers and educating them about this new feature? I mean, some survey work we did around Facebook Video earlier this year suggested that even hard-core users of the blue app still might not really be aware of all the features that are embedded there. Sorry about that, what I hit.

A - Gary S. Briggs {BIO 6394054 <GO>}

Is someone trying to spin a record or something? What are doing back there?

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

Yes. So talk to us a little bit about the education process for Watch and what kind of strategies might...

A - Gary S. Briggs {BIO 6394054 <GO>}

I apologize, Pete, when you were making -- right before, when you were saying what people were aware of Watch or video broadly?

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

Just the broad video capability. We were surprised at the tab that's been on the core blue app for a while now, that there were still a lot of people who had tunnel vision in how they were using the product.

A - Gary S. Briggs {BIO 6394054 <GO>}

So this is kind of classic online marketing, which is cross-merchandising. So we'll look at doing ads in News Feed, we will look at -- one of the things that we've done very well, I think, is we have a module on the site which is called People You May Know. So PYMK is what we call it, where we will try to have, if you know friends of yours, potential friends of yours that are on the platform, that you might want to become officially friends with them. We've done that with other content and we'll continue to do that. That's a way to cross-merchandise, as an example. So we're experimenting with on-platform ads, to some degree, off-platform digital ads, with getting people to understand about Live. Live, I mentioned earlier, we went actually into traditional media, if you will, to communicate about Live. I don't expect we are going to do that with Watch. But what we're trying to do with Watch is through cross-merchandising on the platform and a degree of digital marketing, is have people see content they might be interested in and then use the tactics we have very well, is to get people who might engage with a piece of content before, to come back again. Specific in that example is one of the great tools we use on Facebook, which advertisers use, too, is we can show you a video ad. And based upon your engagement with that video ad, we then can show you a carousel unit. And through a carousel unit, we can give you the 1, 2, 3, if you will, of how to get re-engaged or other kinds of contents that they may want to see. We use that all the time.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

Perfect segue, wouldn't be a marketing discussion if we didn't talk about the funnel, right?

A - Gary S. Briggs {BIO 6394054 <GO>}

I have no idea what you're talking about.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

It sounds like -- you have no idea about -- the author of the funnel. People often look at Google and say, wow, they occupy the bottom of the funnel position in terms of directing sales. And Facebook might not have people come to the Facebook platform looking to directly engage in commerce. But help us understand how the tools you have available can it affect, yield a much greater breadth of funnel for Facebook than most people and most investors might realize?

A - Gary S. Briggs {BIO 6394054 <GO>}

I mean, certainly, you're seeing advertisers do that, Amazon does that quite well. Zappos, a part of Amazon, obviously does that; Lyft does that quite well. They are using dynamic product ads as a way to get pieces of content in front of people that is far down the funnel. And I think, not to play too much with the funnel example. But the general nature of Google's funnel is slightly different than our funnel. I mean, ours is a little bit broader at the top, a little bit narrower at the bottom. But both

companies are trying to develop products, particularly for advertisers, as they move more and more towards digital, that represents all those opportunities. But we have absolutely seen, more sophisticated, if you will, digital marketers use the more bottom of funnel tools and scale very well with it.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

And if we think about one of your largest advertising categories is consumer packaged goods. They don't typically have e-commerce, they've had traditionally very blunt tools to measure changes in awareness, yet they have found an equation on Facebook in terms of linking exposure to actual sales, right? And so much like you're able to monitor the ability of your teams to drive particular engagement in a new feature on Facebook, these marketers are linking into actual scanner data at a supermarket level, right? So I mean, are we early in the game here? Are there other categories. And I think about auto, I think about travel, I think about financial services, where it is kind of tough, frankly, to measure the effectiveness sometimes. Are we just at the very beginning of kind of a measurement revolution?

A - Gary S. Briggs {BIO 6394054 <GO>}

Well I think in general, one of the things I made a reference earlier about young people are looking for roles at Facebook and places like us, I think in general, it's early. So that's a broader cultural point. But we absolutely have examples of advertisers now who are, you might consider more traditional, who are using these tools really well. One of my favorite examples is one, Canadian Tire, which I -- if you haven't spent time in Canada or don't know of Canadian Tire, you should get to know Canadian Tire. They sell a lot more than tires. Canadian Tire is a really wonderful example where they have, by and large, stopped running newspaper inserts. And the reason they've done that is they have found that the ability for them to run dynamic product ads has allowed them to pull through a lot more products than they have saw typically in ROP. And with run of press ads, I mean, I know that's a very -- it gets to the point of the friction in the system for companies to spend as they spent last quarter. I mean, again, I worked with Pepsi for a while. When you got to go stand in front of the bottlers and say, "Hi. I want to completely overhaul how we are going to do our marketing and you should just trust me on that." You bet they are sitting there in the audience and saying, "Hi." -- whatever they're going to call you, Piker from purchase -- "I can't wait to see the next guy show up here next quarter." I mean, that's basically how they think. So it is very hard to redirect that money. But I will tell you, if you talk to folks at Canadian Tire, they will say they have found they had to rearrange their supply chain in order to make sure they're able to deliver on the amount of product they were pulling through. And that's a big deal. I mean, companies overhauling their supply chain software is a big deal. But that is where this is headed and I think that is why it's early.

Q - Kenneth Michael Sena

Mark talks a lot about the goal of connecting the world and universal human needs to be connected. So as you move out into newer geographies, can you just speak to some of the specific challenges and maybe the sensitivity that you experience in your role?

A - Gary S. Briggs {BIO 6394054 <GO>}

Well I mean, absolutely there are different regulatory regimes, if you will. And different cultural norms in terms of content. So we absolutely have to respect that. And we actually spend a lot of time looking at those questions. There are broader questions that led to the brand of a set of expectations that someone might have in one market and how that might translate to another. Absolutely, countries watch one another. And to the degree that it's that, whether at everything from domiciling data to terms of service or content policies in various markets, we are constantly looking at that around the world to make sure, not only that we're following the rule of law. But making sure we are able to build that into our processes. But again, I think, at least from my role, one of the things we try to do is then communicate back to people, the people who are users, what are we doing and why. So that it's not a mystery. And I have found, even with the case of the current U.S. -- not as current, frankly, right now, example of Russia and the U.S., there is absolutely an initial reaction that consumers have to what's going on. But ultimately, people get back to, hey, here's why I use the product, here's what I get out of it. I find value in terms of friends and family and the world around me. And we try to steer people back towards reaffirming, really, the core purpose of the product.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

I guess, one last one from me. There's some other large platforms out there, couple, most of them are owned by Facebook. But anything out there that inspires you, marketing strategies you've seen out there?

A - Gary S. Briggs {BIO 6394054 <GO>}

Marketing strategies seen out there. I think what Airbnb did with their brand positioning has been quite well done. I know Jonathan a little bit who just -- is in the process of leaving there. If you look and set the clock back 3, four years ago, Uber as an example and Airbnb, both of those companies are being somewhat disruptive of local economies and broader economies. But I think Airbnb has put themselves in a position where they are much more of a respected brand. And I think also we find, as far as, again back to the point of brand positioning as well as execution, they are getting better and better and becoming more of a world-class customer of ours in terms of how they use the platform.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

Behavior matters.

A - Gary S. Briggs {BIO 6394054 <GO>}

Yes. I mean, look, I mean, I think it's actually awesome that you can't hide anything, I do. I think one of the early actions for me as a marketer is the more a consumer gets to understand your business and brand, the more that transparency should be a good thing. I worked very, very early when I was at Pepsi and one of the products I launched was Aquafina. That was a product that, in that case, we were taking water that was in our plant, running it through reverse osmosis and then selling it. We weren't going to pretend it's from a spring, we weren't going to pretend it was

something it was not. And when people actually found out, yes, it was actually made in Pepsi plants, would they freak out and get pissed off or was that okay? That was like an early, early market research thing to figure out. So yes, you can't run, you can't hide. And by the way, you shouldn't try. And I think in general, that's a good thing.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

We're going to leave it there. Thanks so much for joining us.

A - Gary S. Briggs {BIO 6394054 <GO>}

Thanks, Peter.

Q - Peter Coleman Stabler {BIO 16258799 <GO>}

Thanks, Gary.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2024, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.