

# UBS Global Media and Communications Conference

## Company Participants

- Carolyn Everson, VP, Global Marketing Solutions

## Other Participants

- Eric Sheridan, Analyst, UBS

## Presentation

### **Eric Sheridan** {BIO 22465717 <GO>}

Okay, we're going to go right into the next one. My name is Eric Sheridan. I'm UBS' US Internet and interactive entertainment analyst.

With me today is Carolyn Everson who is the Vice President of Global Marketing Solution for Facebook where she leads the Company's relationships with top marketers and agencies. Carolyn oversees a team of regional leaders and the team is focused on global partnerships, global agencies and Facebook's creative shop. Prior to joining Facebook Carolyn was the corporate vice president of Microsoft's global advertising sales and trade marketing teams.

So Carolyn, thanks for being here today.

### **Carolyn Everson** {BIO 15342167 <GO>}

Thank you for having me.

### **Eric Sheridan** {BIO 22465717 <GO>}

Okay, before we get into the questions I am going to read Facebook's safe harbor statement. So before we get started, on behalf of Facebook I would like to take this opportunity to remind you that during the course of this conversation Carolyn may make forward-looking statements regarding future events and the business strategy or prospects of Facebook.

Facebook cautions you to consider the important risk factors that could cause actual results to differ materially from those in the forward-looking statements. These risk factors are described under the caption risk factors in Facebook's quarterly report on Form 10-Q filed with the SEC on November 5, 2015.

In addition please note that any forward-looking statements that Carolyn makes are based on assumptions as of today. And Facebook undertakes no obligation to update these statements as a result of new information or future events.

So now we have that behind us, maybe I'll start with the big picture Carolyn. I think one of the big questions that investors always have is what is the conversation like between Facebook, its advertising partners as you attempt to balance user engagement against your advertisers goals on Facebook more broadly? So maybe you could give us a state of where that conversation sits today between Facebook and your advertising partners.

### **Carolyn Everson** {BIO 15342167 <GO>}

Sure. So I've been at Facebook for at least five years in February and the conversation has evolved dramatically. Five years ago advertisers and agencies had questions about whether or not Facebook ads worked and that was the first hurdle that we felt we needed to overcome.

Fast-forward to today and the conversation's really revolving around several topics. Number one, culture.

Companies are trying to understand how they have to evolve their corporate culture, to move more quickly to be more collaborative, to innovate at a more rapid pace, to think about talent retention in very new ways. Actually a lot of my conversations today with marketers are to help them understand the Facebook culture and how that could adapt to companies that have been around for 100-plus years. That's the first thing that's on every big Company's mind.

The second is just a profound shift in mobile. So if we think about mobile as in my opinion the most important transformation we have had in marketing in over 100 years.

Radio took 38 years to get to 50 million people. TV took 13 years. Mobile has taken 10 years to get to 2 billion people.

We have never seen such a transformation. And it's not just that marketing needs to evolve because consumer behavior has shifted dramatically. Actually entire business models have to evolve.

If you were a company today starting a retail business or a financial services business in all likelihood you would be starting as a mobile-first company. And so mobile as a topic is at the CEO and Board level conversation that we're having with all of our companies. So that's the second thing that they are thinking about.

The third is then more granular on advertising. Advertising for decades used to be advertising at people. We built factories, we build brands by doing mass reach advertising and it worked very effectively for many, many years.

Now that consumers have the most personal device they've ever had in the history of devices their expectation around marketing has changed dramatically. The expectation is if you're going to show up on my phone which is very personal, it's my contacts, it's my apps, you need to show up in a relevant, useful, delightful manner. And so really rethinking how data becomes the new currency for really strong creative is an area that we're advising clients quite a lot in.

And I think more broadly as amended from and challenge because if you think about what I said five years ago do Facebook ads work, now the measurement question is actually a lot of the measurement that the industry has been using for years is actually not working well in mobile because it's been cookies-based. And cookies work in a desktop environment and yet the consumer behavior has shifted not only to mobile but to multi-device usage.

There's over 950 million people that use multiple devices a day and so using cookies is no longer an effective way of measuring effectiveness. You need to go to people-based measurement. And so all of the measurement challenges that companies are facing are very top of mind.

So that's how the conversation has evolved. I think right now it's really about how do you utilize this drastic shift in consumer behavior to grow your business in a very different way than marketers have done for the last several decades.

**Eric Sheridan** {BIO 22465717 <GO>}

So maybe I want to stay on that topic of measurement and attribution. It's something the Facebook team led by Cheryl talks a fair bit about to investors when you have your earnings call every quarter.

What is the state of measurement and attribution today? What are the tools that advertisers want to see from Facebook? Where it is the game going from a measurement and attribution standpoint?

**Carolyn Everson** {BIO 15342167 <GO>}

Well the first and foremost is actually we're very principled about measurement. We tell marketers and agencies that they should not spend a single dollar with us unless they believe we're driving their business outcomes. And that's a very, I think it's a very normal statement but apparently it's a very unusual statement out there.

And the reason we believe that so strongly is that at the end of the day our job at Facebook is to grow our client's business be it a small business or it's the world's largest companies. And we think we have very effective ways to measure the effectiveness of it and everything marketers should do should have a business outcome. As opposed to social metrics which is where the industry was several years ago when companies were measuring things likes, share, comments or followers.

We want to be held accountable for are we driving online conversion, off-line sales, brand awareness, lift. So on and so forth. So that's how we think about it from a principal standpoint.

In terms of where it is today we have invested in ad tech more broadly. Atlas is really the core strategy that we're pursuing from a measurement standpoint. And what Atlas does, we bought it from Microsoft the couple of years ago.

We basically rebuilt it from scratch and we built it to be mobile-first, people-based and so that it would work effectively across device. And not only work effectively across device, you could be able to link off-line measurement with online measurement to really drive lift and understand whether or not your campaign not only by the way on Facebook or Instagram but more broadly in the ecosystem are they actually driving lift.

So the two things that we're pursuing very aggressively are this conversion lift which is basically now being used by about 200 of our advertisers. They've done about 500 studies and it uses A and B testing to determine whether or not the ads on Facebook and Instagram and other properties are driving lift or not.

Lift can be defined as online sales. It can be defined in brand awareness or ad recalled. Very clear A, B experimental design, is it being effective.

The other thing we're doing is we're asking advertisers to put a conversion pixel on so they can track the actual behavior of consumers across the device. It's very effective for understanding the consumer journey which often bounces back and forth between devices throughout the day. So that's a second product that we're doing.

Atlas right now is being tested and used by a number of marketers. We're pleased with the progress. It's still early days.

The industry has been using cookie-based measurement for over 10 years. And it's going to take time to shift to be about people-based and about business outcomes-based. But we think it's incredibly important.

The other thing that we're doing is being sensitive to measurement in emerging markets. Because we have here in the more developed markets we have access to things like Nielsen and we have access to things like Datalogix to measure in-store sales. But if you're an emerging market some of those capabilities don't exist.

So we launched mobile polling as an example where a brand can get a very quick read on the device where the ads are actually being served whether or not it's actually driving a result. And so we do mobile polling now not only with Nielsen but with Millward Brown and that's being widely used in emerging markets.

**Eric Sheridan** {BIO 22465717 <GO>}

Okay. I want to shift a little bit to the types of marketers and how they interact with Facebook. Maybe we'd start first with brand advertisers.

That's what you sort of led with Facebook in many ways is now talking to advertisers who've been around for a 100 years and big brands fit in that category. What is the state of brand advertising on Facebook and how has that changed over the last one to two years?

**Carolyn Everson** {BIO 15342167 <GO>}

We have the privilege of working with all the top brand marketers in the world and from that vantage point we see them at very different points of the journey. We have major marketers that have been with us for over five years where we have very sophisticated global joint business plans and we are absolutely driving business outcomes for a majority of their large brands.

We have other large marketers that are very early in their stage of understanding the digital transformation. I think the biggest shift that I'm seeing with brand marketing is that brands are actually brands, more traditional brand marketing is becoming more like DR marketing. And DR advertisers are very interested in what brands are doing and there is a blurring of the two that are occurring.

So let me give you a very specific example. If you are a CPG company, if you're a Proctor & Gamble or a Unilever, or Coca-Cola, Pepsi, you name the company they are very focused on what is the future going to look like from an e-commerce perspective, how am I going to be able to sell my products directly to the consumer?

So with that is an area of strategic growth for them where are they going to learn and get inspiration from? They are going to learn and get inspiration from the e-commerce companies and the DR-oriented companies.

Conversely we see a tremendous amount of investment being put into India and greater China in particular for e-comm companies that want to learn how to become global brands. Because no longer when you build a company are you just thinking about your consumers in a geographic radius. Now you have access to consumers around the world and they are very interested in learning about brand.

So we see a lot of lines blurring between brand and DR advertising. I will say from a more traditional brand perspective they have been very delighted with the innovations we've made on video. Sight, sound and motion has been a format that they had loved for many, many years, of course.

It's been what they've used on TV very, very effectively. And with not only our autoplay video but all of the innovations that we're making with 360 video and testing out video home and suggested videos they are definitely seeing an

opportunity to tell their story in a mobile environment which is incredibly important to them.

I think the biggest surprise to me just in terms of ads I think about mobile over the last 10 years, we talk about mobile advertising as always the shiny example of walking past a retailer, getting zapped with an offer and it was going to be geo-relevant and you were going to walk into the store and get a discount. That's how everybody talked about it.

I think what we missed as an industry is actually mobile is the most important brand building platform now in the world because of the scale. Every single day we now have over 1 billion people on our platform. You cannot build a brand without taking advantage of mobile, there is no choice.

And that's every category, even the entertainment category. We have the largest number of movie and TV fans aggregated in any one place. So even the entertainment business is looking at Facebook and Instagram as the source of building out their brand if they're launching a new show or a movie.

So the importance of mobile as a brand-building platform I think we underestimated as an industry. And we're certainly seeing the migration to that.

**Eric Sheridan** {BIO 22465717 <GO>}

The other big opportunity that gets talked about a fair bit is small business. You have 45 million small business pages on Facebook against 2.5 million advertisers today.

And the team talks a lot about closing the gap and facilitating small business reaching their customers. What are some of the hurdles, what are some of the challenges that could lead to the opportunity of small business investing on Facebook being realized over the next couple of years?

**Carolyn Everson** {BIO 15342167 <GO>}

Yes. So there's a certainly a gap between the number of business pages and the number of advertisers that we have today. We're doing a number of things.

First and foremost, we know that small business owners are on Facebook on a personal level. And many, there is still a high percentage of small businesses that don't even have a website presence.

And so Facebook pages actually are becoming their presence in the mobile environment. And they are not having to invest in building out a full website in the desktop world. So we're definitely seeing that trend.

We try very hard to build self-serve tools for small businesses to be able to actually start to advertise in a very seamless and easy way. The most used product for small

businesses is actually just to boost the post which is a very simple thing. If they are making a post about an offering or a new product or service they literally can click and with very, very not a lot of effort they can actually add a little bit of a boost, pay for that ad and see the accelerated reach and then we start to drive the business from there.

So we see a huge opportunity for us to grow. I mean small businesses are incredibly important not only because our consumers are connected to them and want to hear from them. We also see that on Instagram almost 50% of people on Instagram, which is now over 400 million people on a monthly basis, are connected to a business.

So consumers clearly want to connect with businesses and want to have a presence from them. We're also seeing a very significant increase, it's 2X over last year with a number of consumers that are communicating with businesses on Facebook pages.

Again what are the expectations? The expectations from consumers these days are that they can interact with a business. They have access to it via email or a message and they are very much feeling like this is much more of a personal relationship than ever has before. And so our messaging between consumers and businesses has grown dramatically in the last year.

**Eric Sheridan** {BIO 22465717 <GO>}

You've also been investing in new ad formats around direct response advertising. In June you launched a test around buy buttons. You're expanding that now.

Maybe help us understand the social commerce concept. The idea of buy buttons, what are you seeing from out in the field from buy buttons and what are some of the decisions you have to make about going wider with that initiative?

**Carolyn Everson** {BIO 15342167 <GO>}

So I think if we think about this holiday season and some of the best practices that we're seeing marketers really implement, number one is that conversion pixel is really understanding the behavior of consumers as they migrate between different places on the web and in the mobile department. The second product that has been very successful is dynamic product ads.

And so just to explain what dynamic product ads are, you can take a let's say a retailer and they can upload their entire product catalog. Then without having to create individual ads for millions of products which some of these obviously these retailers have millions of different product offerings, we can dynamically generate the right product and the right ad to the person at the right time based on potentially somebody leaving it in their shopping cart and they didn't purchase it or they were browsing for a particular product.

And it's even as sophisticated as knowing that maybe you did buy it so make sure you don't show that product again because that would be a wasted ad. If you just purchased something why do you need to see an ad for that again?

So dynamic product ads have been very, very effective. In addition we have this format called carousel ads which basically show up to five images or a video and it allows marketers to take a single product and show it in very unique ways over the course of five images.

You could show five different products, you could tell a story, you could show a couple of products with some news stories as background information for it. So the combination of conversion pixel dynamic product ads and carousel ads has been very, very effective.

In terms of social commerce overall what we're really trying to do is actually facilitate easier shopping between consumers and businesses. And mobile conversions historically have been challenging. Think about what you have to do on a mobile phone.

You have to often enter in all of your information, the screen is much smaller, you have to put in your credit card, your address and it's cumbersome. So testing things like the buy button, testing things like links on the pages for calls to action, testing link ads that automatically update your information and send it to a small business, those are all attempts on our part to really make the transaction easier between a consumer and business.

It is clear that consumers discover products on Facebook from businesses, from their friends. It is also clear that they would like to be able to buy them in a much more simpler fashion and that's what we're trying to do.

**Eric Sheridan** {BIO 22465717 <GO>}

Got it. Okay. One question that's coming through the crowd mics that I also wanted to talk about his international monetization.

You look at your results and you clearly are monetizing engagement to a much greater degree in North America and Western Europe and then as you move out of more developed markets it seems like there's a huge opportunity around the international monetization. Maybe talk a little bit about what the Company is doing to address that long-term opportunity.

**Carolyn Everson** {BIO 15342167 <GO>}

Sure. So I just got back from India. I took my global leadership team to India, twice a year I take them to markets that are incredibly important for us from a cultural immersion perspective to learn how a product is being used and also to understand the needs of the marketers.



And so this is a very important area for us. So let me just start very broadly, there's about 40% of people connected to the Internet today. That number differs a little bit, depending on the source you use it's about 40% which means there are over 4 billion people that are still not connected to the Internet.

And one of the things that we're most focused on is actually providing connectivity to the people that don't have access. We are doing that through a number of fronts. We are doing that through free basic services which is now available to 150 million people that can't access it.

And the notion there is to get them onto the Internet with free access to data around health, education, financial services and over time they then will use additional apps. We're doing things around satellite and we're launching an unmanned aircraft vehicle in early 2016.

So we're very focused on trying to connect the rest of the world. It's core to the mission of Facebook.

In terms of monetization we actually are seeing tremendous interest in those markets from our large global marketers. So for example I'll take India since I was just there last week. India is the second largest market for Facebook outside of the United States, has about 138 million people using the platform.

Yet in India the population of 1.3 billion people, 1 billion people are still not connected to the Internet and so we're in very early stages. However, what you're seeing in India is really two forms of really interesting growth. You're seeing an explosion of e-commerce.

India is very much they don't really allow traditional foreign direct investment for big-box retailers. There is a ton of small business activity.

E-commerce, it's almost like they've skipped 10 to 15 years of what we did in terms of growing the retail business. They've already moved to mobile commerce. And we sat with many of those companies last week and they are seeing tremendous growth.

Then you take a more traditional CPG companies and auto companies and they are seeing a market like India as their future market to get the next 1 billion consumers as they grow economically and they have access to more of these services. So we are definitely seeing a tremendous amount of interest in markets like that.

What we're doing on the monetization and product front is number one, you have to recognize that the phones that we're all probably using and the tablets that we all have in front of us today we have pretty good connection thanks to AT&T who was just here and Verizon and others that have wired it for us. But the majority of these markets are still living with 2G connections.

So we have Facebook Lite which is only uses 1 megapixel of data. So it's a very lightweight version of Facebook so that can be used in 2G connections. We are allowing people to make a post when they are off-line and then when they get into a WiFi environment it uploads.

From a marketing perspective we're taking our traditional video product which uses a lot of data. And we now have something called slideshow which Coca-Cola just used in both Nigeria and Kenya. So they are basically able to show a video-like product to more of a 2G feature phone connection.

We have click-to-missed call in India which is a very common behavior that consumers literally click and the business calls them back so the consumer doesn't have to pay for data. So it's really being mindful of what the product needs are in those markets and being mindful of the connectivity challenges that consumers have. And to build products and services that speak to that market, we're very focused on that.

**Eric Sheridan** {BIO 22465717 <GO>}

Okay. Just a reminder if you want to send questions to me up here on stage please use the crowd mics app, hopefully it's on your phone. I've been given a fair bit of questions around product and that's sort of where I wanted to go next.

It's been really busy year for Facebook on product. It almost seems like very few days go by before we see new iterations around product from the Company. One of the areas that's the most interesting to look from the outside in is video both as a user on Facebook and what advertisers are trying to accomplish with video. Maybe talk about how the video ad advertising side is evolving, what is sort of the conversation like with advertisers just think about putting more money to work on video advertising on Facebook?

**Carolyn Everson** {BIO 15342167 <GO>}

So today we have about 8 billion video views a day and 500 million people on Facebook watch at least one video a day and that is growing very, very quickly. And it's not surprising because there's an overarching trend in visual communication that's being particularly driven by a millennial audience that believes that they're living in a borderless world and they can communicate with people cross-border and language becomes a barrier.

And so we see a huge explosion in photo and video sharing that obviously is driving both Instagram and Facebook. And so video overall is a very beloved way to communicate for consumers first and foremost.

And we really focus on making sure the consumer product and the consumer usage is delightful before we start thinking about how the ad products work into that. Because one of your earlier questions was how do you balance consumer engagement in ads. At the end of the day we have to deliver a valuable product to

consumers every single time they interact with our products and that's the first and most important thing that we do.

In terms of how marketers are thinking about video they are thinking about it in a number of different ways. First of all, the mobile environment is very different than their other environments that they have used video before. Often consumers are watching mobile video with sound off initially.

And when I speak with marketers and ask is that in your creative brief, are you thinking about how to use subtitles, hotels.com did a great, one of the first marketers to do it, where they have this character called Captain Obvious and he was playing the piano and he pretended he was like an amazing piano player, meanwhile he wasn't exactly but it was all subtitles. Why subtitles? Because if you're actually engaged with it you might be more inclined to turn on the sound but sound off is a consideration.

The interaction and the actual results from the first 1 to 3 seconds are incredibly important in a mobile environment, especially feed. If you just think about the use of your thumb, we call it thumb stopping content, what is going to get a consumer to stop their thumb and actually engage and those first 1 to 3 seconds are really important whereas in other environments you tend to have longer to build the story arc. So that's another consideration that we're working with marketers on it.

In terms of length of video and how they're thinking about it, very few marketers are just picking up their 30-second spots and putting them into the feed environment. They are thinking much more thoughtfully about how to actually engage consumers and tell stories sequentially.

So Macy's for example during this holiday season is using both Facebook and Instagram. They're teasing short, very short videos around Believe which is their -- it is a great wonderful sort of holiday story about children being able to write their wish and having them come true.

They are very short videos that they are teasing and as they find consumers engaging with them then they are going to lead to a much longer 3-minute version of the film. We have the ability because of people-based marketing to start something on your mobile device in the morning. If you engage with it we can then send something back to you on your desktop if you're at desktop during the day.

If you're at home at night and you happen to be on a tablet we can then send something else. So the notion of building sequential storytelling and video is something that's very, very appealing to marketers.

So I would say we're in the early days of video. It's a beloved medium. Consumers are clearly clamoring for it and using it more and more.

It was really a major inflection point by the way in August 2014 with the ice bucket challenge. When 440 million people around the world were consuming an ice bucket video and uploading it and engaging, that almost taught the world how easy it was to actually shoot a video and upload it. And from then on we saw tremendous growth.

**Eric Sheridan** {BIO 22465717 <GO>}

And one of the key announcements you made around Adweek in September was to enable TRP buying. And what does that mean for what video ad budgets and how they might be, how that might change the narrative around video ad budgets being deployed on Facebook around video?

**Carolyn Everson** {BIO 15342167 <GO>}

Right. So one of the biggest questions is there still a significant amount of budgets that still are spent in the TV environment. And when you look at the TV advertising budgets versus mobile there is still a wide discrepancy.

Mobile is 25% of consumers' time, it is roughly 16% of budgets. TV has a very significant amount of marketers budgets. So what we were trying to figure out was we knew that mobile video, particularly Facebook and Instagram, were very additive to the TV reach story.

For example with millennials we add about 34% incremental reach as an example. And we also know that reach is becoming more and more challenging in the TV environment as the ratings have become more challenging outside of live events. But yet there's a whole history of how agencies and marketers have bought TV.

They've bought it based on TRPs, total rating points. They've bought it using processes and systems that have existed for decades. And so we had two choices.

We could say look, it's time to completely shift and you got to use all of these new tools. Or we can build an on ramp to the future and say tell us what your total rating point objective is, let's combine it with what you're doing on TV, add Facebook and Instagram will be coming in early 2016 to the mix. And we made it much easier for the agency and marketers to actually combine their TV and Facebook and Instagram buy.

The reaction has been positive. It's still early, we only launched it in September. But it's very much to be sort of a bridge to the future of where we think the marketer needs to go.

**Eric Sheridan** {BIO 22465717 <GO>}

Okay. You've referenced Instagram a few times. I know it's front of mind for investors also.

Earlier this year you expended the ability to advertise on Instagram. Help us understand what the long-term plan is with respect to Instagram, what the early days have shown you about how advertisers are putting money to work on Instagram and what that's doing for broader advertising budgets.

**Carolyn Everson** {BIO 15342167 <GO>}

Sure. So Instagram now is available globally as of September. It has over 400 million people using the platform.

It is growing incredibly quickly from a user growth perspective. And marketers were very eager to be able to do more on Instagram.

And why is that? When you take Facebook and Instagram you have the two most important mobile ad platforms in the world in the majority of markets.

And so if you're a marketer again and you have to reach people you have to reach them at a certain frequency, you have to engage with relevant content. Instagram and Facebook are very, very powerful combined.

There are differences between how the two platforms are utilized. Instagram is a place for visual inspiration. About 50% of the people are following businesses. So there's definitely an interest.

But there's also a high percentage of people that follow people they don't know. And that is because they are inspired by whatever they happen to be posting about.

I follow a lot of people that post about dogs because I have four of them and I happen to like that. Whereas on Facebook you are connected to people you know or have at least some degree of separation but they are in your network.

So the use cases are a little bit different. But what we did do and it was really important I think for us to do this. And the last time I did an investor meeting a number of months ago we had not really built this yet, is we took the back of all of the ad infrastructure of Facebook. So all of the targeting capabilities and measurement capabilities, the self-serve, the API, working with Facebook marketing partners to accelerate and to be able to have our partners sell Instagram we took all of the infrastructure that we had built for Facebook and made it available on Instagram.

And so now marketers can basically get the same level of targeting and measurement that they were used to on Facebook. And frankly once we built it for Facebook it sort of starts to become table stakes. Marketers expect the ability to use those targeting capabilities and the measurement.

And so we're seeing a lot of interplay between the two platforms these days. As I mentioned. And I referenced Macy's has done some fabulous work between the two

platforms for the holiday season as has Target with their cartwheel app. And you can actually interplay the two.

So as I said with a Macy's example they use the Marquis on Instagram which basically is something that you get the dominant share of the advertising on Instagram for the day that you use it. So they used it right before Black Friday. Based on who interacted with that they then could retarget them not only on Instagram but also on Facebook.

So we're seeing a lot of interplay between the two. And again marketers are very excited to have two incredible platforms.

**Eric Sheridan** {BIO 22465717 <GO>}

Well referencing the interplay between the two is interesting. Sheryl Sandberg on the last earnings call mentioned that some of the advertising dollars that were getting put to work on Instagram were incremental to Facebook, Inc. and some weren't.

Maybe you could tease that out. Help investors understand the interplay of how ad dollars are being put to work between Instagram, Facebook and how that might evolve going forward.

**Carolyn Everson** {BIO 15342167 <GO>}

Yes. So we're still seeing that. There is nothing changed from what Sheryl said back in the earnings call. What we're seeing right now is that marketers are increasing their share of budget to the Facebook family.

They are trying to understand how much should be weighted towards Facebook and Instagram. Some are saying let's take what we've done with Facebook, pull a little bit of that off of Facebook, test it on Instagram. And you have to remember we're in the early, early days of Instagram.

We have been very I think thoughtful about how we've rolled out advertising. It's just been rolled out globally over the last couple of months. And marketers want to test each platform for the benefit of each platform and want to understand what actually works on Instagram before they necessarily decide to accelerate.

The same token we have marketers, particularly in certain categories like the fashion category, that have been waiting for Instagram to open up and are doing more on Instagram initially than they are on Facebook. And so we're really learning between the two over time what we want both platforms to be are the most important growth drivers for businesses small to large. And we're going to keep innovating on the products to make sure we get there.

**Eric Sheridan** {BIO 22465717 <GO>}

One of the things you referenced earlier was the Atlas transaction. You've talked a lot about targeting capabilities.

Two other pivots you made at the backend on advertising was to acquire LiveRail and also launched the Facebook Audience Network. Maybe talk a little bit about what those assets do for Facebook broadly when marketers think about putting money to work both on Facebook and off Facebook.

**Carolyn Everson** {BIO 15342167 <GO>}

So the strategy behind our ad tech investments is very much driven by our belief in where marketing is going in the future which is personalized marketing at scale. So we want every time a person experiences an ad on Facebook and Instagram for them to feel like this was the most relevant ad at exactly the right time and it was the most useful thing that could be served up to them.

Because the more we do that the better the experience is the more they come back to the platforms and they feel that the advertising is additive. So that's at the core of what we believe.

We also believe that digital advertising and mobile advertising in particular needs to be improved across the ecosystem. It needs to drive better results, it needs to be more relevant for consumers. So this is not something unique to Facebook and Instagram.

We think all platforms actually could benefit from better, relevant, more personalized marketing. And so Audience Network has seen some really great success. It of course adds supply to our overall auction.

It allows marketers that are not only doing great things on Facebook and Instagram but to be able to access third-party apps, use native ads. It's driving very, very effective ROI for our clients.

LiveRail has over 90% accuracy in age and gender targeting compared to the industry average of 31% to 35%. So LiveRail again utilizing Facebook data around age and gender is a much more effective in its targeting. And again we're trying to solve what we think are industry challenges.

One industry challenge is cookies completely overestimate reach and underestimate frequency. And marketers are very surprised when we show them the reports of their cookie-based measurement and people-based measurement. They think they're reaching women 18 to 34 and they find out wow, I'm actually reaching a lot of men that are 45 and above.

And that's like a shock to the system when that happens. And so we're trying to solve more accurate targeting and more relevant messaging both on our platforms as well as off.

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**Eric Sheridan** {BIO 22465717 <GO>}

Got it. So as we wrap up maybe just one last broad question. You led with talking about mobile.

We had the advertising forecasting panel here yesterday. They talked about another big year for mobile.

When you think out to 2016 and you talk to most of the big players in advertising and marketing, how are they thinking about mobile in 2015? And what are the big objectives either for mobile or outside of mobile that marketers are trying to accomplish in 2016?

**Carolyn Everson** {BIO 15342167 <GO>}

Mobile is again by far and away the most important development in marketing that we will I think see in our careers. You take every category it's being impacted. So take the political elections.

To date we've had 76 million people interact on election topics with over 1.5 billion interactions, just through November 28 is the last data point that I received. Every member of Congress is on Facebook. Every candidate is on.

Ben Carson has already come up with 240 different ads. He answers questions on Facebook every night.

This will be a mobile election. So starting there.

Travel industry estimates that there will be 25% more bookings on mobile than in 2015. So all of the travel clients that we're talking to are trying to understand that shift. I could literally go vertical by vertical.

And so this is a change, we believe we don't even talk about the shift is happening. We believe the shift has happened and now it's a question of how companies are going to change their internal processes, adapt to the fact that this is now more consumers are spending more time in a mobile than on TV. And that just happened in the last few months that they are spending more time in mobile apps.

So this is a profound shift. It changes marketing and it changes business models. And I think we're going to continue to talk about it for the next few years.

**Eric Sheridan** {BIO 22465717 <GO>}

Great. Well please join me in thanking Carolyn Everson and the whole Facebook team for being here.



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**Carolyn Everson** {BIO 15342167 <GO>}

Thank you.

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