

## Code Media 2019

### Company Participants

- Carolyn Everson, Vice President, Global Marketing Solutions

### Other Participants

- Analyst
- Marissa Freeman, Hewlett Packard
- Peter Kafka, Recode Media

### Presentation

**Peter Kafka** {BIO 16307321 <GO>}

You're going to disappear into that chair, but I appreciate.

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

I know, I'm on brand now, Peter.

**Peter Kafka** {BIO 16307321 <GO>}

You -- I'm on brand, thank you for that. Did you realize that John Stankey in AT&T and Time Warner and Warner Media are just this little company and you're going to smush them?

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

We certainly don't think of them as a little company.

We have a lot of admiration for them. They're an important partner and important client, so we certainly don't view them that way.

**Peter Kafka** {BIO 16307321 <GO>}

I want to talk to you about the role of advertising in this world that we're discussing. First, let's talk about politics.

When I asked you, come on, I didn't realize we had this discussion, but now we're going to have it. For the last month, I think, your bosses Mark Zuckerberg, Sheryl Sandberg have been defending your policy towards political advertising which in

short is don't lie unless you're a politician, and it's okay to lie in and out. Are you going to change that?

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

We have no plans to change the policy. I think this is a really difficult one to think about and it's a lot more than meets the eye, what you hear in the headlines? We strongly believe that we should not be the arbiter of truth and if you try to attempt to fact-check political ads, it becomes extremely difficult to determine, if I'm a candidate and I say I'm going to lower the deficit by X billion or trillion I'm not going to raise taxes who can fact-check that.

**Peter Kafka** {BIO 16307321 <GO>}

But you guys do fact-check lots of stuff, and it is difficult for you and you struggle with it, but you can certainly try to do it.

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

We certainly can, but politics is a very different ball game and we really believe that Washington D.C. needs to put regulations. As a citizen and I'm sure you want this too probably everybody in this audience we'd like to know that the ads we see from our political candidates are truthful.

That's really important for democracy.

**Peter Kafka** {BIO 16307321 <GO>}

You want the government orbiting what's truthful or not?

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

We think there should be regulation. We do not think Facebook should be choosing what is true or not.

**Peter Kafka** {BIO 16307321 <GO>}

And just to be clear, so there's no plans to change your policy, but I keep hearing that you are maybe looking at tinkering with it.

May be limiting the level of ad targeting that you guys offer. What's the status of that discussion?

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

So there are -- there have been a lot of reports about the changes we may be considering, and here's what I would say, we're looking constantly at how we can

make political ads more effective on the platform. So for example we launched the ad library, so now Facebook is the most transparent ad platform in the world. Every candidates ads are up there for seven years, every issue ad how much they're spending, who they're targeting all of the creative, we think that's important.

And so when we -- some of the rumblings you're hearing in the press is really actually the continued work of our team as we talked to people around, what could we be doing better than we're doing today.

**Peter Kafka** {BIO 16307321 <GO>}

And I translate that is, that's the thing you're talking about.

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

We are not talking about changing the targeting. I know that was reported.

**Peter Kafka** {BIO 16307321 <GO>}

That's not on the table.

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

That is not on the table.

**Peter Kafka** {BIO 16307321 <GO>}

What about a blackout period on political advertising before a certain month before an election?

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

There are a number of changes. More transparency is definitely how do we make it more clear to a person that when they see an ad from a political candidate it is that.

It has not been fact-check, it's a political ad. We're looking at making that more transparent, that's probably the area that I would say more than anything.

**Peter Kafka** {BIO 16307321 <GO>}

What about the idea of whether it's limiting ad targeting or anything else of making political advertising less efficient on Facebook, so it's harder to do massive campaigns at scale that's really just impossible for anyone whether it's the government or you or third-party to monitor. I think that's the big overall concern, as the scale you guys are at there really isn't any way you can A/B test stuff live on the fly, you could do thousands of campaigns a day and that works really well for you guys when you're selling all sorts of stuff.

An FCC commissioner saying the rules for selling soap should not be the same rules for selling political ads and basically you should sort of make your ad machine work less well?

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

I don't this is about making the ad machine work less, well. I mean we are a global company and so when you think about the importance of political advertising around the world, I can tell you there are about 70 to 90 major elections a year in countries around the world and there are people with the smallest constituents in a local Mayoral Race or a City Race that are happening around the world that depend on our platforms to get their message out. Today in the democratic primary that's happening here in the United States, the democratic candidates have spent more than President Trump has and we think that's important, because there's a very big democratic primary occurring a lot of candidates and they need to get their messaging out, and let people decide what messages are resonating? What's truthful? And that is not the role that Facebook should be playing and interfering with democracy.

**Peter Kafka** {BIO 16307321 <GO>}

Do you agree with Sheryl and Mark? Do you do differ in I mean, I know it's probably hard to say.

You disagree the CEO live on stage. If you share their opinion?

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

So here's what, I do share their opinion and here's why? My -- sometimes my first reaction admittedly is like can't we make a change here, right? So I'll give you another example, when that when the Pelosi video was running around and somebody doctored her up.

**Peter Kafka** {BIO 16307321 <GO>}

A deep fake, but doctored.

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

Right.

So, I mean they doctored her up. I have to tell you that initial emotional reaction, because I want the platform to be safe and secure and protected was can't we take it down? That's a normal human reaction, probably many of you in the audience may have had it, and then I always my education around how complicated these issues are goes from this to this on everything. Well, if you're going to take the Pelosi video down then why have we not taken down the millions of videos that have been doctored about Trump, about Bush, about Obama, about celebrities. We haven't.

So why do you take it down right there and that emotional instinct. And so when the political ad, when the Biden ad happens and the Warren ad, I think they're -- it's very natural for people to say, wait a second how is this happening? Why is this? Can't you do something better, but the real test of whether or not a company stands behind their principle, we allowed the Warren ad to run that said we endorse Trump. I know that's factually incorrect.

**Peter Kafka** {BIO 16307321 <GO>}

So did anyone who looked at it, because they said this is fake.

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

But it didn't -- we ran it. That's the point we stuck to our principle that --

**Peter Kafka** {BIO 16307321 <GO>}

But one is an intentionally provocative things saying, we're going to critique Facebook's advertising policy, the other one was meant to deceive people.

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

We don't know. Does Mark -- does Mark Zuckerberg actually know, factually know.

Was he in the room in the room with Trump and the Ukrainian government or Biden or Biden's? No, we're not in a position, and I don't think -- I think once and I've had so many conversations about, because everything from dinner parties to client meetings to everything. Once you say to somebody do you really want Mark Zuckerberg or Facebook Executives to be the arbiter of political truth? The answer is typically no.

**Peter Kafka** {BIO 16307321 <GO>}

It seems like the ongoing discussion we've had with Facebook now for many years, which is we built this thing it's really big. We're not comfortable really making decisions about how some parts of it run and that's kind of weird on the outside to say you built this thing that you don't want to operate anymore.

You want someone else to operate it?

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

We don't -- we want help with regulation. We have asked Mark has been very clear. He wants help with regulation around privacy. Take GDPR out of the AU.

We rolled that out globally. We think more regulation around consumer privacy would be a good thing. We want regulation around data interoperability and being

able to port your data from one service to another. We want it around election integrity, we wanted around content policies.

We think that that would be very healthy for the entire ecosystems develop, and if one company is making decisions and another company is making different decisions, we don't think that's actually very good for the development of the ecosystem overall.

**Peter Kafka** {BIO 16307321 <GO>}

Okay, we're going to leave politics for now. Maybe it's going to come back.

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

Okay.

**Peter Kafka** {BIO 16307321 <GO>}

Let's talk about broader advertising questions. We're going to hear -- we're going to be talking about this throughout the next couple of days, the role of advertising in the streaming wars world, in a world where people have a lot more choice about what they watch and how they pay for it, and I'll just keep saying it again, right with 160 million Netflix subscribers ad free, Disney has 10 million ad free subscribers, Disney Plus, Warner Media's first product they're rolling out as a new company is an ad free product. It looks like when people are saying look the best stuff we're going to give you is stuff you're going to pay for and then also you're not going to watch ads. And I'm wondering, how you think as a professional ad seller about that proposition?

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

So look, I think it depends on the lens that you're looking at these.

The -- if you add up the subscription streaming services right now. If you want Netflix, you want Hulu with ads, you do Disney Plus or adding them up. These are expensive. They're very expensive for the average consumer.

I mean, you could add up and over be over \$300 a month, if we start --

**Peter Kafka** {BIO 16307321 <GO>}

You don't have to do that. You pick the stuff you want.

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

Exactly, but we're in a world where we're saying consumers are going to have all this disposable income. We take a little bit of a different point of view.

We take the point of view that an ad-supported model is one that we deeply believe in. Number one, it allows us to provide all of our services for over 2.7 billion people for free. Number two, it allows businesses to have access to tools for free. So we have 7 million advertisers and we're really proud of that number and it's an important constituent base, but there's a 140 million businesses that use all of our tools for free to grow their --

**Peter Kafka** {BIO 16307321 <GO>}

-- that advertising is not a bad thing.

It supports the company I work for. We have sponsors sponsoring this event, but it seems like there are generations of consumers expect things to get stuff on demand whatever they want and get it without ads.

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

So we don't see that, we actually what we hear -- the one of the biggest complaints about our advertising and it's certainly getting better, but I've been at the company for 9 years and I remember being shocked at this was if you know something about me Facebook, why can't you serve more relevant ads, and if you look at the evolution of the advertising on Facebook and Instagram, I meet people all the time that tell me I bought my sneakers, I bought my shirt, I bought a bag, I found a suitcase that I loved. I found packing bags, I found pet products, meal plans that is delighting the consumer and that is a multi-generational thing.

Yes, if they're relevant and useful. If they're disruptive, so if you take somebody that just bought a car and they get served up car ads, that's really irrelevant to them. They think it's a waste of time they're annoyed. If they just bought a particular car and they see a generic ad from that car company and that car company doesn't recognize that they a new customer they're annoyed.

**Peter Kafka** {BIO 16307321 <GO>}

Or I bought the Zappos shoes and Zappos then who is advertising their shoes to me for the next year, I like that to the stop. Can you stop that?

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

I'll work on that.

**Peter Kafka** {BIO 16307321 <GO>}

Talk to them about that.

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

I'll work on that.

**Peter Kafka** {BIO 16307321 <GO>}

Okay.

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

Yes, but I think people want relevant ads, they want ads that are useful that delight them, that provides some type of service to them, and I think if that we used to in the advertising and I've been doing this now for a very long time. Advertising, we used to think we had a right to interrupt people. We're giving you the content for free, so you better sit through our interruptions and listen to our ads.

It's no longer about that. Advertising needs to be built for people, not at people and that's the big shift that's happening.

**Peter Kafka** {BIO 16307321 <GO>}

You guys have taken many different runs at video, we're going to -- talking a lot about video here today. Facebook Watch is sort of your current --

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

Yes.

**Peter Kafka** {BIO 16307321 <GO>}

-- product you're using just to get into that space. How is it going? You don't hear much discussion about it in these circles right now?

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

So, Facebook Watch has been out there for a couple of years, and I would tell you the first year was really slow like by our definition, because --

**Peter Kafka** {BIO 16307321 <GO>}

Slow in terms of users?

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

-- in terms of to figuring out growth and do we have the right fit and all of that? And then about a year ago August, so now about 15 months ago, what we describe as product market fit. When we start seeing the thing take off, and now we about have a 720 million people that come a monthly basis to Facebook Watch.

**Peter Kafka** {BIO 16307321 <GO>}



Those are people who click on the tab.

They're not watching it in the news feed.

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

That's total people watching it with an in-stream as well as Facebook Watch.

**Peter Kafka** {BIO 16307321 <GO>}

So if I watch a Facebook Watch video that is served to me the news figured counting on that?

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

Yes.

**Peter Kafka** {BIO 16307321 <GO>}

Okay.

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

And that is the content within Facebook Watch and what we have found is it's an open platform. We're experimenting with a mixture of types of content. We have some originals, so like Sorry for Your Loss, Return the Favor is like those are doing incredibly well. Then we have music videos, we have short sports clips, we have some obviously clips that are created by creators in that universe.

So it's a mixture of content that people are finding to be very valuable. We're in the early stages admittedly. I mean some of our competitors have been doing video longer than we have, but we're definitely pleased with the traction. Marketers are starting to buy into it in a much more significant way.

Some of them want that format, because it's more like TV. It's 15 seconds.

**Peter Kafka** {BIO 16307321 <GO>}

Right.

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

The sound is typically on and that's a comfortable format.

**Peter Kafka** {BIO 16307321 <GO>}

As a consumer, I know that on watch TV, I'm old click the cable box and nor I go to Netflix, I go to watch television, I will go to watch videos somewhere. Are Facebook users coming to Facebook to watch videos, it's an afterthought?

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

So we have about a 150 million that do some type of that on a daily basis.

**Peter Kafka** {BIO 16307321 <GO>}

Some type of --

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

Watching like coming specifically to watch --

**Peter Kafka** {BIO 16307321 <GO>}

I want to watch this show with you, as going to think it.

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

And so, it's small when you compare us to a lot of the other platforms, but we're starting to see that behavior and the goal is to build that behavior over time.

So that's a very deliberate action that people are taking.

**Peter Kafka** {BIO 16307321 <GO>}

And is it a different kind of video than I would expect to watch on YouTube or Netflix. Is it is this something's Facebooky [ph] about it or is it a video is a video?

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

Yes. So I think Netflix is really much more about curated more professional, you typically longer form content as their core base and that's the same with Hulu and many of the other streaming services, and we're not trying to compete with that.

I don't think you are going to see us in the -- it writing huge checks for content to compete with the streaming services. I think what

**Peter Kafka** {BIO 16307321 <GO>}

You guys have made some bids though for video, you bid for cricket in India.

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

We have we've tested some sports bidding.

**Peter Kafka** {BIO 16307321 <GO>}

What's the thinking behind bidding on sports for you guys?

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

Well, what we were trying to understand is do people want to come and watch a full sporting experience or do they want the highlight clips, and so we're testing both right now to see what people prefer, and of course the strategy is potentially different in each country.

So, we operate essentially everywhere except China and each country the sporting development and what we're doing is very unique. But I think, you'll see us more shorter form videos, there'll be some scripted material like we have some of the originals, but it'll be much bigger mixture.

**Peter Kafka** {BIO 16307321 <GO>}

And just deal back to sports one more time, you bid that, you made that cricket bid. Does that mean that you could bid for a Direct -- the Sunday Ticket or what we consider a major professional American sport?

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

I don't think you are going to see us do that in the near term.

I really don't. I think you're going to see us focusing much more on the highlight clips which seem to be doing very, very well. And also are economically in our favor compared to all of the folks that are bidding very significant dollars for the other stuff.

**Peter Kafka** {BIO 16307321 <GO>}

So whenever this Thursday Night NFL package comes up, it will be a digital rights thing Twitter's done it, Amazon's done it.

You guys have looked at it, you're not going to go for at this time?

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

I think it'll be a big question as to whether or not we go for it?

**Peter Kafka** {BIO 16307321 <GO>}

That's a fair and ambiguous answer. Big picture question, Mark my time frame is mixed up, but I think it was this calendar year said we're pivoting all of Facebook and we're going to be moving more towards private communication.

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

Yes. That was this year.

**Peter Kafka** {BIO 16307321 <GO>}

That was this year, thank you. It's been a long year.

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

Yes.

**Peter Kafka** {BIO 16307321 <GO>}

For many people.

If he's saying look the future of Facebook is private communication. You and I direct messaging each other et cetera, instead of posting stuff on the news feed, that also seems like that's a big issue for you, because you're trying to reach many people the same time. How do you adapt to that world?

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

So I think, when he said that, it gets interpreted as the whole thing is moving towards this one-to-one communication and what he was really trying to say is that there's going to be sort of two different types of experiences that he sees as critical going forward, the Town Square type of environment where you post on Facebook or Instagram, you can post publicly or you can post just to your friend group, or you can just post to yourself frankly, but that will continue to exist. It's a huge part of our business, and a growing part of our business.

But then there are an increasing need for people to want to communicate in a much more intimate way and that's more to the living room experience where is Messenger and WhatsApp? And that's between people, people in small groups are also as people in businesses. We are definitely early, early days on figuring out what the advertising model is going to be in that more besides.

**Peter Kafka** {BIO 16307321 <GO>}

But you think there will be advertising in that world?

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

Yes, but I think it's going to be a maybe perhaps a broader view like advertising I don't even use the word advertising, I typically use the word marketing when I speak with our CMOs and Clients, because it will be everything from customer service experiences. So KLM, the airline was one of many airlines that moved a lot of their customer service into Messenger.

We had a lot of the fashion brands move their fashion shows. They did them on -- obviously the runways, but they also brought them into Messenger. So, you're going to see businesses really experiment with how do I create an experience that's worthwhile to people in that messaging environment?

**Peter Kafka** {BIO 16307321 <GO>}

It's traditionally, right. That's been very, very hard to bring advertising into, there are ads in Gmail and there were ads in AOL instant messenger and those really didn't take off the scale and people don't want them.

If I'm talking to you via direct message, I don't expect to see an ad, don't want to see it.

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

That's, right. And we have, we have followed the same playbook almost with everything we've done, which is built for consumers first. And if it takes years to figure out the monetization then so be it.

I mean we bought WhatsApp many years ago, everyone's waiting for that to be monetized and we're still focused on the consumer experience there. We have launched a couple of services for businesses, we've launched a small business solution for WhatsApp, which is growing incredibly fast. I mean again, outside of this country many businesses are running their entire business on WhatsApp. And then we have for Messenger, we have click to Messenger ads, we have click to WhatsApp ads.

So if you're in your Facebook or Instagram feed, a business can ask for permission to engage with you in that more private environment and those are growing very effectively. But you're going to see us walk very slowly on the monetization advertising model in those privacy environments.

**Peter Kafka** {BIO 16307321 <GO>}

But you're going to get it there?

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

I believe we will. Yes.

**Peter Kafka** {BIO 16307321 <GO>}

Right now, Instagram is your big growth engine?

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

So Facebook is also growing and continues to grow.

**Peter Kafka** {BIO 16307321 <GO>}

Instagram is going much faster?

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

Instagram is still, in terms of if you look at the portfolio 7 million average. Well 140 million business is for free that use our platform for free. 7 million advertisers across the family, 3 million are utilizing stories.

And so there's a big delta there, 4 million have not opted in to try stories and so you might ask well why? Why is that when one billion people a day are using stories? It's a new format, so it takes some time and what you see is a lot of the disruptor a lot of the direct to consumer brands that don't have the legacy systems in place. They're racing into that. They're getting tremendous value, the pricing is lower, because there's not as much demand. So that's going to be a really important growth engine for us going forward.

**Peter Kafka** {BIO 16307321 <GO>}

Did you hear them, some of those people who got into Instagram and Facebook early in the direct-to-consumer a lot of them advertised on broadcast got blossomed?

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

Yes.

**Peter Kafka** {BIO 16307321 <GO>}

Now, saying the pricing actually isn't cheap anymore, it's quite expensive and actually, we're not paying rent in a store, we're paying it to you guys and we need to find other places that aren't as expensive. Do you worry that the pricing actually is sort of going to squeeze some of those early folks out?

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

So, a few things on the pricing and how direct-to-consumer disruptor brand. So first of all, many of them come in when they first start up and they buy what we call CPA

Cost Per Acquisition, which means I will pay you Facebook or Instagram X dollars, when you bring me a customer, and that's how they do that sort of hockey stick growth, right? They've got a formula they get VC funding and they grow, and then they sometimes like hit a plateau or a wall and like then what do they do? And really the next level of sophistication is to start thinking about the lifetime value of that customer.

60% to 80% of the value of -- is really comes from your top 20% of your customers. So what happens is those disruptor companies they acquire a lot of customers, but then only that tier, there's a tier that's super valuable, we have to learn to engage with them. And so then they often plateau and then they hit another exponential period of growth. And so we see the different I would say phases of client development, we also see them expanding to TV to podcast other -- and we think that's healthy.

We just not --

**Peter Kafka** {BIO 16307321 <GO>}

You are not worried about them leaving Facebook, Instagram for cheaper stuff for stuff that's more efficient?

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

No, I have never told a client. You should only be spending on Facebook and Instagram. First of all, that would look utterly ridiculous, because I'm a marketer and I know what you have to do. We should be on multiple platforms get your message out.

And we do that too. We just relaunched our brand, and we have a ton of creative work out, it's on billboards, it's on TV, it's on other platforms, like that's a good thing. And so we always try to figure out from a client's perspective. What is going to drive the clients business? What is the most effective way to drive growth for the client?

**Peter Kafka** {BIO 16307321 <GO>}

What point does Instagram become a bigger business than the original Facebook app?

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

I think that you will see that both of them -- I mean they're both incredibly fast growing businesses.

Instagram is a significant contributor we don't break it out. And so that's I can't say anything more about the revenue.

**Peter Kafka** {BIO 16307321 <GO>}

Tell me when it's going to crossover?

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

I can't break the revenue. You know, I can't do that.

**Peter Kafka** {BIO 16307321 <GO>}

Thought of ask. Why is Facebook now all capital letters is that your goal?

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

I would hope that you would talk a little bit more than just the capital letters of the --

**Peter Kafka** {BIO 16307321 <GO>}

You lay the whole thing on me. I'm a busy guy, always I saw that this now the Facebook capital?

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

So we did this for a few reasons, we're behind on our branding and marketing. We -- my first handful of years, we didn't even have a CMO at Facebook.

There was a belief because it was very Silicon Valley intact that the product does its marketing.

**Peter Kafka** {BIO 16307321 <GO>}

You're on the internet, even in a company --

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

Well, we're advising clients on how to grow their business. We didn't really take our own medicine. And so we got a CMO and then we have now our second one Antonio, who's been there for over a year.

And the reason for the whole branding of the company and rebranding is really to be much more transparent and clear. There were a lot of people that didn't know that Facebook owned Instagram. There are a lot of people that didn't know Facebook owned WhatsApp. And when we're espousing transparency in everything that we are doing, we've got to be transparent about that.

**Peter Kafka** {BIO 16307321 <GO>}



Seems like people not knowing that Instagram, that Facebook owns Instagram could be a plus for you guys right now. You've got a lot of folks anecdotally saying I don't want to participate in Facebook. They're bad, they're not sure why or they think that elected Trump or whatever it is? And then they're posting on Instagram. Are you worried that when you underscored this actually is owned by Mark Zuckerberg, that that actually has a negative effect?

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

We believe that it's important to be transparent about that, we think it's absolutely worse.

If somebody would be like, well, I didn't know Facebook was involved in Instagram and have something blow up that way. That's way worse, so we felt a real need to be very clear about that. So that's the reason for the company branding, we also are more than the blue app, right? We are -- I mean, we were internally people were always like, are you working at Facebook? Are you working at Instagram? And we work across the whole family of apps and so it was time for a company message. We have to tell our story better, our story's been told a lot frankly through headlines, for the last two-and-a-half years and it's about time that we try to tell our story a little bit, what we stand for what are the family of apps and services and the real test will be in about five years to see whether or not, the brand work has actually landed and what people think of it, it's not going to be just because we put out a new logo, it's a lot more than that, we have beautiful creative work as I said appearing all around the world.

**Peter Kafka** {BIO 16307321 <GO>}

But this is a reaction to the last three years of press and headlines and actual actions, right? This isn't just a press creation that you guys people have a negative opinion about you. They're reacting to real things in the world.

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

We definitely had real issues and challenges over the last three years. We've made mistakes, we've had to do -- we have to do things better.

I think our company is an entirely different company than it was three years ago. And I wouldn't have stayed at Facebook. I've been doing this for 26 years, my reputation means a heck of a lot to me within the marketing community and business community. When I have to look at a CEO in the eye, and tell them we've learned our lesson about 2016, we're now trying to do everything we can to protect elections.

We have learned our lessons about privacy and we have to be much more transparent give users more control and accountability. If I didn't see those cultural shifts, it would have been really hard for me to be able to look people in the eye and have the confidence to stay at the company. So, it's a very different company than it was three years ago.

**Peter Kafka** {BIO 16307321 <GO>}

That's a good segue to open this up to the audience.

I have questions if you guys are shy. Race? (Question And Answer)

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

No, it's okay.

**Marissa Freeman**

I'll just lower it like this. Hi.

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

Hi.

**Marissa Freeman**

So I've had more than 26 years in the business as well. My name is Marissa Freeman, I'm the Chief Brand Officer for Hewlett Packard Enterprise and we're a big customer of yours.

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

Yes.

**Marissa Freeman**

And I've also been on both sides. I've been in the agency business, buying media making creative and now I'm on the client side. Throughout my career and way before I was even born there has been a pact between advertisers and media to be truthful. Sometimes the advertisers don't really want to be, but we have to be and it's the media companies turn that back on us, the advertiser and say it's incumbent upon you to prove to me that, you're telling the truth.

If you're making claims about your product or your competitor, you have to have tangible proof that we particularly CBS, I remember always fighting with them. We'll look at and determine whether or not it's truthful. Now you talk about Facebook being a public square and for organic content user generated yes it is. But for paid advertiser content, where you have someone with a big purse who can influence a lot of people it's incumbent upon both of us to protect the public and tell them the truth.

So are you saying that because you have these little communities and small elections that Facebook can't do this at scale. And that it's too hard to do it at scale. Is that

what you're saying? That's my question. What is the answer here, and do you disagree with the construct that I just set up?

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

So their political speech in this country has been handled very differently than traditional advertising from HP or any partner or clients that has been the way it's worked in this country for decades.

**Marissa Freeman**

May I interrupt? I have also worked at agencies who do political advertising as well. And they don't get to circumvent standards and practices?

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

So -- there, we have standards and practices of course to the political candidates have to sign up for, but we are not just see you know, the ad that started this whole debate the Biden ad was run on every single broadcast network, every single digital platform, every cable network except for one. It was run everywhere, because we are not allowed as an industry, the broadcast industry is not allowed to censor political ads that's the law.

**Marissa Freeman**

Standards and practices in censorship.

It's not, it's it puts it back on us.

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

Yes. And we can have those.

**Marissa Freeman**

To provide proof of claims.

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

We do have standards and practices, but we have no ability legally to tell a political candidate that they are not allowed to run their ad, and that's why we think there should be regulation.

**Marissa Freeman**

Right but they have to edit the ad to be truthful or at least I do in both political campaigns and advertising campaigns. We had a reedit and omit untruths or

ambiguities from our advertising. I'll stop, because I don't want to turn this into --

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

It's okay, but I will tell you that CBS is not in A/B, they're not allowed to censor political ad, that's the law.

**Peter Kafka** {BIO 16307321 <GO>}

Thank you. We're going to try to go quickly.

**Analyst**

Hi, so going back to Facebook pivoting their strategy towards private communication given that they were -- there's a lot of talk in the last year about the spread of information and fake news on Facebook in the last couple of years. How is the company planning on circumventing that, but also gearing their strategy towards private communication, since large WhatsApp groups, Facebook groups things like that or actually huge culprits of spreading that kind of information?

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

Yes.

So this is an area since 2016, like 2016 I don't think we had a big enough awareness around the false news, fake news issues, admittedly, right? And now, would you look at the history between 2016 and now, we have third-party fact-checkers in multiple countries around the world. If something is deemed false, if somebody flags it to us like a person using the site, we will it immediately goes to a third-party fact-checker and if it is deemed false, it will be labeled as such.

**Analyst**

Right. She's asking what happens when this conversation is private?

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

When it goes to the private, so what we've done in WhatsApp, we've reduced the distribution dramatically.

So we had a big challenge in India where we were having people spread misinformation, and that was because it was an unlimited amount of people you could send your WhatsApp messages to and now that's it's been substantially limited, we learned our lesson in both India and Brazil.

**Analyst**

So, people can still spread lies, but you're going to make it less efficient for them to do it at scale?

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

We have no way of checking a specific message with --

**Analyst**

You're saying we're going to make it harder to make these things viral.

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

We're trying to reduce the distribution of it dramatically, yes.

**Analyst**

Having run policy at my space in a much simpler time.

I'm deeply sympathetic to how hard so much of this is. Some of it is also seemingly really easy. So when I ask about Breitbart, Steve Bannon himself called it a platform for the alt-right for white nationalists, basically, every independent source has said, it's a propaganda machine and yet you all are putting it in your column of trusted news. It seems to be the simplest explanation for that, is that's what right when politicians demand.

Is Facebook saying that Breitbart is a trusted news source or does it acknowledge that it's a propaganda machine?

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

So we are not paying Breitbart, we're paying for a lot of the other news sources that are in the trusted news. Breitbart has to agree to our terms and conditions, and if they violate them they will be kicked out. We also have content in from the far left to try to balance the far left and the far right. Again, we did not feel that we should be in a position to make a judgment call to remove the far right and leave the far left in, and so that's how we've approached it.

And I know that's it's a sensitive topic what we do have for advertisers though in the audience network is advertisers can certainly choose to not have their advertising up here in Breitbart.

**Analyst**

They calling it news rather than opinion. It's one thing if you say this is a opinion and go shop it and check it and what have you, but you're calling it news which it

avowedly is not, so I mean what I take from the answer and it's fine if that's the answer is that we are treating it as a trusted news source?

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

We're treating it as a news source in the term I wouldn't use the word trusted news, because it's all going to be dependent on how they follow our policies and if they don't --

**Analyst**

But you putting into this news tab, that says this is a --

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

So, to be clear for the left too.

**Analyst**

Right, right.

But when you put in the news tab you are saying this is news. If we didn't think it was news, we leave it in the main news feed. So you are making a judgment call?

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

We made a call to put them in as well as the far left news sources.

**Peter Kafka** {BIO 16307321 <GO>}

Okay.

Just one last very quick question. Sorry, we couldn't everybody.

**Analyst**

You mentioned that, you spent a lot of painstaking efforts to make sure that you bring your great -- build a great service for the consumer before you figure out the advertising solution. But isn't much of your advertising solution taking those services away from the consumer and asking the publisher to pay for them.

So for example, when you -- publisher would have a page that used to be and they would make a post that used to be in the newsfeed of politicians and so on, now it's essentially impossible to get something into the newsfeed unless you pay for it?

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

So the organic distribution has definitely diminished dramatically given the amount of content in it on any given minute you or I could have about 1,500 stories or posts if the algorithm thinks might be interesting to you or I, and so organic content has been diminished dramatically. Particularly from marketers and sort of paid publications, because people want to see more content from their family and friends. And so yes, it is true that advertisers do need to pay to be have the opportunity to get into that 10 to 15 stories that people see.

## **Analyst**

But if I choose to follow a page, right?

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

Yes.

## **Analyst**

I made a choice to do so, just like I made a choice to be friends with my uncle. Sometimes maybe I want to see more content from the page that I sign up for than otherwise, but I can't unless that -- unless they're being extorted by Facebook.

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

No, you can absolutely -- you can go in and put your preferences in, and tell us just like you can tell us I don't want to hear from these 10 friends or family, I want to see more of that content, all of that is stuff that you can customize to make your experience better.

**Peter Kafka** {BIO 16307321 <GO>}

She says that don't extort businesses.

Alex, you didn't like that line. Carolyn, I'm so glad you came.

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

Thank you.

**Peter Kafka** {BIO 16307321 <GO>}

I wish we could go longer.

Thank you.

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