

Dan Rose on Facebook Growth Crisis

In 2008 Facebook's user growth hit a wall at 80M and we were having serious debates about whether any social network could ever reach 100M users. 2 years later we had doubled our user base and not long after that we reached 1B users. Here's how we did it:

I joined FB in summer '06 when we had 7M users and were adding 5k/day. Over the next 18 months, Zuck shipped News Feed, Open Registration, Platform and community-led translation. By end of '07 we had 70M users and it seemed like we couldn't be stopped.

Towards end of '07 I helped raise our Series C at \$15B valuation. We had <400 employees and only \$250M revenue, but we had explosive user growth and powerful network effects. Our entire valuation was based on how fast people were signing up for FB all over the world.

Then in early '08, user growth suddenly stalled and we couldn't figure out why. When you're building a company, growth is like water - you need it to stay alive. Suddenly we were facing a major existential crisis and we had no idea how to dig out of it.

We thought everyone on the planet would want to connect w family and friends, but now some inside the company speculated there was a natural limit to how big a social network could grow - MySpace/Skype/others hit ceilings at 100M. Some team members pushed Zuck to sell the company

In the middle of this crisis, Zuck went on a 6-week "walk-about" in Asia. He hadn't taken a break since starting FB 4 years earlier and working 100 hrs/wk, exhausted and needed to clear his head. Sheryl had recently joined and he trusted her to keep things together in his absence

When Zuck returned we held a tense management team offsite to debate our path forward. Some people announced their resignations at the end of the meeting. The core strategy debate boiled down to whether we should focus on growth marketing or core product development.

Rather than choosing between growth vs product, Zuck decided to do both and deprioritize everything else including revenue. I was responsible for monetization and I fully agreed with this decision, we needed a much larger user base to unlock our full full potential as a business.

It took time to reorganize the company around these priorities and our new leadership team. And right in the middle of executing this strategy, we ran into the '08 financial crisis and advertising revenue dried up. We barely grew users or revenue in 2008.

At the end of the year, Zuck announced his New Years resolution to wear a tie to work every day for 12 months, symbolizing '09 would be a serious year for the company. I thought he would last a month, but he never missed a single day all year. And the company executed like hell.

Growth marketing focused on tons of small improvements and viral loops that compounded over time to bring more people on the service, which also made the product better for existing users who were now able to connect with more friends and family (=definition of network effect).

The core product team focused on new features + load time, informed by a combination of intuition and data. We shipped fast and frequently, and the product steadily improved. Real-time Feed, Messenger, Timeline, Games Platform, etc.

By mid-2009, user growth was back on track and revenue growth was also re-accelerating. We ended that year with more than 150M users and \$750M

revenue. We had a stable leadership team that stayed largely in tact for 10 years (many are still there). And we didn't look back.

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