

Facebook's grand plan for the future

By David Gelles

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[Mark Zuckerberg](#) is pacing before a crowd in Facebook's Palo Alto, California, cafeteria just before lunch on a Wednesday in November. Fit and jovial, with pale skin and curly brown hair, his boyish face gives away his 26 years. "Zuck", as friends call him, is wearing what he always wears: a grey T-shirt with an embroidered Facebook logo, blue jeans and tennis shoes. With this perennially casual demeanour, he is showing off new technologies to a few hundred employees, partners and the press. "It's a good day to launch some stuff," he says with a laugh. And with that, Zuckerberg introduces [Facebook Deals](#), a new service that in a matter of days will transform the way local businesses reach consumers as they walk down the street.

With Deals, smartphone users who download Facebook's application can "check in" to a physical location, such as their local coffee shop, and get a little reward. If the coffee shop is so inclined, it can create a "deal" for users who check in – 50 per cent off, for example, an incentive just to show up. Two days after Zuckerberg's presentation, the power of Deals became clear as The Gap gave away free jeans to the first 10,000 people who checked in to its stores. As Zuckerberg was still on stage, an analyst leans over to me and says, "They just changed local commerce forever." It wasn't even lunchtime yet.

During his presentation, Zuckerberg uses words such as "revolution" and "disruption". He talks in sweeping terms and with no sense of irony, telling the crowd, "our goal is to make everything social". This is bold talk from the young chief executive, yet he has reason to be bullish. In recent years, as individuals, businesses and political movements have embraced Facebook, the company's clout has only grown. Though



still a start-up by some measures, it is now squarely one of the three or four most influential technology companies in the world.

After the public presentation I join Zuckerberg and a couple of bloggers in a glass-walled conference room in the middle of Facebook's offices. He and I sit on a couch, and for 40 minutes he talks animatedly, cracking the occasional joke, expounding on his world view and his vision of the future.

"If you look five years out, every industry is going to be rethought in a social way," he says. "[You can remake whole industries.](#) That's the big thing." His ambition, it turns out, is not simply to make Facebook an influential technology company, but the most important company in the world.

"You can integrate a person's friends into almost anything and make [it] instantly more engaging and viral," he told me. "You care so much more about your friends. It's not an intellectual thing. It's hard-wired into humans that you need to focus on what the people around you are doing. It's this very visceral, deep thing. That, I think, is the structural thing that is going to make it so that all these industries change."

Zuckerberg uses the word "social" a lot, and it's not always obvious what he means. He is not simply talking about telling your friends what you had for breakfast with a status update. To Zuckerberg, a more social world is one where nearly everything – from the web to the TV to the restaurants you choose to eat at – is informed by your stated preferences and your friends' preferences, and equipped with technology that lets you communicate and share content with people you know. What Zuckerberg is talking about is a new way of organising and navigating information.

This is a somewhat different Zuckerberg to the one the public knew just a year ago. In recent months he has transformed from an awkward wunderkind with a preternatural ability to anticipate where the web is going, into an amicable executive unafraid of laying out his grand plan. It is not just that he is a bit more confident and articulate, though he is both; what is striking is that for the first time in my two years of interviewing him, Zuckerberg seems at ease. "The fear is behind him," said a friend of Zuckerberg's. "Until a year ago, he thought this might be the next Google, but he wasn't sure. Now he's sure. The fear is gone."

Facebook's soaring user base and booming revenues are, strangely, not really what is behind this shift in disposition, impressive as both figures are. (Facebook now has more than 500 million active users, and is expected to take in at least \$1.5bn in revenue this year, mostly from advertising. Facebook does not charge users, and as a private company, it does not share its financials.) Nor is it Facebook's "stickiness": the site is the largest on the web in terms of time spent and page views. Instead, what has endowed this company with a new confidence is a more subtle transformation.

The change is this: Facebook is no longer merely a social network, where users check out updates from friends, glance at photos and play some games. Rather, it is making moves to be an essential part of the entire online experience. The company is becoming people's homepage, e-mail system and more. Much in the way [Google](#) extended its capabilities from search to include e-mail, maps and books, Facebook is becoming a part of ever more daily services on the web. The company is also making



strides to achieve one thing Google has not: it is well on its way to becoming the de facto identity platform for the internet.

With its map of profiles of people from Australia to Venezuela – what it calls the “social graph” – Facebook is becoming the virtual driver’s licence, house keys and passport for those travelling around the web. Since 2008, users have been able to log in to other sites using their Facebook credentials. And in April, the company rolled out a suite of new features that made it even easier for other websites to tether themselves to Facebook. These include the Like button, which enables people to quickly express their affinity for a product and share it back to their Facebook newsfeed, and other “social plug-ins” that enable users to interact with their Facebook friends on other sites.

It is a global phenomenon. There are millions of users in countries such as Indonesia, Taiwan, Colombia and Turkey. Zuckerberg has said he wants to push further into the developing world, and Facebook has a range of products that allow users with the simplest mobile phone to access the site.

More than two million sites have integrated with Facebook since 2008, including 90 per cent of the top 1,000 sites on the internet. That number is growing by about 10,000 sites a day. Nearly one-third of Facebook’s 500 million users interact with it on third-party sites every month. In this way, a growing portion of online activity involves Facebook, even though it is not happening on Facebook.com.

“They made this very ballsy decision to transform themselves from a place where everyone came to – a destination – into a service that lets me take my information everywhere,” says Sam Altman, chief executive of Loopt, a location services company that works with Facebook.

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

B.J. Fogg is a researcher at Stanford University who studies how machines influence human behaviour. In 2007 he began teaching classes about Facebook at Stanford, a matter of miles from the company’s offices. “It was pretty apparent to me, even before they had half a billion people onboard, that they were in a position to win the game,” he told me. “Now that they have their tentacles in many millions of websites, it will be really hard for them to ever go away.”

It can be tempting to write off Zuckerberg as an overzealous youth too excited with his own ideas. In the six years since its founding, however, Facebook has already reshaped at least two industries online. The first was photos. By 2004, when Facebook arrived, online photos were nothing new. The digital photography revolution was in full swing. Film was on its way out, and sites like Snapfish and Shutterfly were processing millions of snapshots. Flickr, founded the same year as Facebook, quickly became a popular venue to share photos, and was soon acquired by Yahoo. But as Facebook expanded it surpassed Flickr as the largest photo-

sharing site on the web. By February this year, more than 3bn photos were being uploaded to the site each month. Though the company has made little effort to make any money from its photos service, it has invested heavily in it, designing new software and building data centres to cope with this torrent of data.

What made Facebook the largest photo site on the web was not simply its enormous user base – it was the ability to “tag” people in a photo, or link that photo back to their profile. In this way, you don’t have to look through all of your aunt Gertrude’s holiday pictures; you can just quickly see the ones she appears in. “The takeaway from that is that the social features are really the killer part of this,” Zuckerberg told me. “Having good social integration is more important than high-res photos.”

More recently, Facebook has upended the video-game industry. In 2007, it began allowing outside companies to build simple applications and games that run on Facebook.com. Games proved the most popular, and lucrative too. The largest of the social-gaming companies, Zynga, will reportedly take in revenues in excess of \$600m this year. Playfish, one of the largest social-gaming companies, was bought by Electronic Arts, the second-largest video-games company, for up to \$400m in 2009. And earlier this year, Playdom, another social-games company, was [acquired by Disney](#) for up to \$735m. Today, upwards of 200 million people play games on Facebook, more than on the Xbox 360, PlayStation 3 and Wii combined.

This change in behaviour points to the key reasons for Facebook’s success, according to Sam Altman. Whether it be in photos, games or location, users tend to be more engaged if their friends are involved. “In the past three months there’s been this massive change in terms of acceptance of Log In with Facebook,” Altman said. “We’ve gone from something most of my friends didn’t use, to something most of them use several times a day on the web. That is what has made people realise how much value there is with Facebook.”

This more personalised world is already appearing online. Among the bevy of features Facebook introduced in April was Instant Personalisation. It’s a wonky term for an intuitive, if somewhat creepy, feature: if a user is logged in to Facebook and then goes to a handful of other sites, such as internet radio Pandora or the local reviews site Yelp, the user is automatically logged in to those sites as well, which are customised to promote content relevant to a user and his or her friends.

Even Instant Personalisation, however, is a “light” integration. “This is really just the early stage,” Zuckerberg told me, after the Deals launch. It’s a big change for the web. For the past 15 years we’ve all had the same experience when we went to a website. That is over now. If Zuckerberg is to be believed, we are rapidly moving from a world where the web doesn’t know who you are, to a world where the web knows exactly who you are.

“What we’re imagining is very different,” says Chris Cox, who dropped out of Stanford to join the company in 2005 and is now one of Zuckerberg’s closest lieutenants. “If you imagine a television designed around social, you turn it on and it says, ‘Thirteen of your friends like *Entourage*. Press play. Your dad recorded *60 Minutes*. Press play.’” In other words, the world will be experienced through the filter of one’s Facebook friends.

Zuckerberg points to companies such as Zynga (built on Facebook’s Platform) and Quora (a question and answer service founded by former Facebook employees,

which relies almost exclusively on Facebook for users) as examples of companies building around social “from the ground up”. “The real disruption is going to come from people who are rethinking these spaces,” he said.

This is a sly piece of semantics. Zuckerberg and other Facebook executives talk about the importance of building new companies and services around “friends” and of being “social”. But seeing as Facebook alone is the keeper of the most comprehensive social graph on earth, what they really mean is building new companies and services around Facebook. And while this may sound hubristic, it reflects Zuckerberg’s belief that Facebook’s map of human relationships is among the most important developments in business history. “That, I think, is the strongest product element we have,” he said. “And [most] likely one of the strongest product elements that ever has existed.”

Not everyone is onboard with Zuckerberg’s mission. Users have revolted against many of the changes Facebook has made this year, calling for more [control over their own information](#). Privacy advocates and regulators, too, are demanding that the company proceed cautiously as it grows.

There are also concerns that by encouraging users to share more information about themselves online, Facebook is changing the very nature of privacy. Zuckerberg acknowledged these shifting mores in an interview earlier this year. “People have really gotten comfortable not only sharing more information, and different kinds, but more openly and with more people,” he said. “That social norm is just something that has evolved over time.”

Whether Facebook is responding to changing social norms or, in fact, leading the charge is an unresolved question. “There’s no point in demonising Facebook, which is obviously providing a great service to hundreds of millions of people,” said Alessandro Acquisti, associate professor of information technology and public policy at Carnegie Mellon University. “But to use a famous saying, ‘With great power comes great responsibility.’”

The concern expressed by Acquisti and others is that while Facebook itself may be benign, the same cannot be said about everyone online. And it is the unintended consequences of a more social world that cause the most consternation. In one nightmare scenario, a user shares information about their eating and exercise habits on Facebook, and this is paired with other information, such as web browsing history, by any number of so-called “data mining” companies. These companies create a - profile of the user that is sold to various parties, potentially including health insurers. Based on some of this unflattering information, the insurer decides to deny the user coverage.

Such salacious anecdotes are thus far the stuff of speculation. But as Acquisti said: “The major concern is that we are getting used to more and more information about ourselves being available to others. It’s often invisible how much information is available about us, how much can be inferred from that, and how that can be recombined and misused. The more this happens, the more consumers become adjusted to this being the new normal.”

When Facebook launched Instant Personalisation and made other changes to its privacy policy in April, there was initially very little resistance to the moves. But in the

weeks after the launch, a growing chorus of critics, including privacy groups and US senators, began calling for Facebook to roll back some of the changes.

The row shook the company to its core. “The privacy backlash was my most difficult time at the company,” says Chris Cox. “We were on 100 front pages. That was a moment as a company when we came to grips with how important we are.”

Facebook responded the following month, giving users more control of their data. “We really do believe in privacy,” Zuckerberg said at the time. It was a familiar pattern. Since Facebook’s earliest days, its users have resisted changes to the service. Facebook has routinely made some concessions, only to push further ahead. Users have never left the site in droves. For now, Facebook has succeeded in quieting its critics. But if history is any guide, it is only a matter of time before the company is in hot water once more.

On June 2, Zuckerberg appeared for an on-stage interview at the “D: All Things Digital” conference in southern California. The privacy backlash was still fresh, and the interviewers confronted him on the subject. Zuckerberg broke into a profuse sweat, stuttering his way through largely incoherent answers. “D was a low point,” a longtime confidant of Zuckerberg’s acknowledged. “It was hot in there. He started sweating. He was suddenly really self-conscious. It was a fuck-up. We all fuck up.”

Since then, however, Zuckerberg has spoken in public several times, seeming more confident at each appearance. “Mark has always been really good at getting better,” Cox told me. “It’s one of his two or three superpowers. This year he had to be a better communicator. He did that.”

The need for a more polished public persona was amplified this year by the emergence of Zuckerberg as a celebrity in his own right. He has appeared on front pages and magazine covers nearly every week, and guest-starred as himself on *The Simpsons*. An authoritative book about the company, *The Facebook Effect*, came out. An unauthorised movie, [The Social Network](#), took the box office by storm, even as it portrayed Zuckerberg in an unflattering light. (Zuckerberg said he wasn’t going to see the film, but eventually hosted a screening for Facebook employees.) It was enough to elevate the young chief executive to A-list status. “Zuckerberg is the Angelina Jolie of the internet,” said Nick Denton, founder of gossip website Gawker, earlier this year.

A few weeks before Zuckerberg launched Deals, I was at Facebook for another event. After the presentation in the cafeteria, the company hosted a barbecue on the lawn. I saw Zuckerberg sitting alone on a picnic blanket and joined him. I had meetings later in the day, and happened to be wearing a suit (most people in Silicon Valley wear jeans and T-shirts). Zuckerberg told me to be careful not to get grass stains on my trousers and made some more room on the blanket for me. Then, without prompting, he said: “At least in the movie they got that part right. The first time I met venture capitalists, I really was wearing pyjamas.” It was a flip remark, but it indicated a new self-awareness in Zuckerberg. Others who know him confirmed as much. “I met him six years ago, and he was in shorts and flip-flops,” said Ron Conway, an angel investor and early adviser to Facebook. “Now you see him and he’s literally a business leader.”

He has also become a philanthropist. In September, just as *The Social Network* hit cinemas, Zuckerberg appeared on *The Oprah Winfrey Show* to announce he was

donating \$100m to the troubled schools of Newark, New Jersey. Some wrote off the gift as a publicity stunt, but people close to Zuckerberg say the decision was months in the making, and heartfelt. As a longtime friend of his said, "He's excited about the opportunity to do something good for the world, beyond Facebook."

These distractions have done little to knock Zuckerberg off balance. "He's always been very focused," said the longtime friend. Today, he seems more intent than ever on extending Facebook's influence. With photos, video games and local deals already feeling the effects of Facebook, Zuckerberg is now looking for other industries that are ripe for disruption. "We're going to see that in probably the other entertainment-type verticals first." Music and movies, he argues, are poised to change. "Those are naturally social things," he said.

Meanwhile, Facebook's power as an identity platform keeps growing. The site will most likely hit 600 million users soon, giving it more muscle as it moves to be the default single sign-on for the web.

Industry veterans stress that Facebook may not be the only identity one has on the web. "I think there will be a couple of different identities on the web," said John Donahoe, chief executive of Ebay. (Ebay, which owns PayPal, works closely with Facebook.) "Facebook will be one of the identities you carry with you. The identity we're focused on with PayPal is your monetary identity. It's not one where you want to share all your information."

And while Facebook has the early lead, the changing nature of social structures makes this an inherently dynamic industry. "The fluidity of social networks is one of the reasons it's not entirely clear that Facebook will be the be-all and end-all," says one prominent social media executive. So far, however, no credible alternative has caught on. OpenID, a single sign-on service designed to work across many companies, is foundering; while Microsoft tried, and failed, in the 1990s with a single sign-on product called Passport. "Facebook has done a much cleaner job of exactly the same thing," says the executive. "It has basically figured out how to create a quasi-monopoly on the address book of the web, a universal people directory. It's a fundamental service. If you own the address book at some point you can actually monopolise communications."

Last month, Facebook took another step in this direction when Zuckerberg announced that the site would now offer @facebook.com [e-mail addresses](#) to its members. He noted that users were already sending 4bn messages a day via Facebook Messages.

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Facebook's burgeoning power caught the attention of the biggest companies in Silicon Valley years ago. Many, including Yahoo, Microsoft and Ebay have sought to partner with Facebook. Google tried to invest in Facebook in 2007 but was beaten off by Microsoft. Since then, it has increasingly become Facebook's [main adversary](#).

The fear, according to people close to Google, is that as Facebook users index the web through their Likes and shares, Google's algorithmic indexing of the web will become less relevant. "Search is a business that will be pretty profoundly disrupted by social media," said Augie Ray, an analyst with Forrester Research. "Ultimately,

what matters to you is not what Google thinks is important, it's what your friends think is important.”

Timeline

2004

Facebook launches at Harvard. Peter Thiel invests \$500,000. By the end of 2004, there are nearly 1 million users.

2005

Accel Partners invests \$12.7m. International networks are added. Facebook passes 5.5 million users.

2006

Consortium of venture capital firms invests \$27.5m. Zuckerberg rejects offers from Viacom and Yahoo to buy Facebook for \$1bn. 12 million users.

2007

Google tries to invest in Facebook, but a 1.6% stake is sold to Microsoft instead, for \$240m. Passes 50 million users.

2008

Passes 100 million users.

2009

DST invests \$200m. 350 million users.

2010

Passes 500 million users.

Advertisers are already voting with their dollars. While Google still commands the lion's share of online ads, big brands are increasingly turning to Facebook, where they can target users based on stated preferences. According to comScore, about one in four online display adverts in the US now appears on Facebook.

In an effort to respond, Google is developing its own more coherent social product. Buzz, a social service it launched earlier this year, flopped. A new effort is tentatively called GoogleMe. “It feels like Google is on red alert,” says one source close to both companies. “There is a feeling at Google that this could be for them what search was for Microsoft.”

Few in Silicon Valley are optimistic that Google will deliver a Facebook killer. That Google just doesn't get social is widely accepted as fact. This being the case, Facebook looks on track to become an increasingly important part of people's online

lives. The benefits should be easy to spot: as more sites integrate with Facebook, there will be fewer new accounts to create, fewer passwords to remember. Sites will be pre-populated with content you find interesting. The web, once anonymous, will be customised to each person.

“Facebook has always thought that anything that is social in the world should be social online,” said Matt Cohler, an early employee at Facebook who has gone on to work as a venture capitalist. “Anything where people ask their friends to help them make decisions – whether it’s food or movies or travel – could be transformed online by social.”

Though it can seem a tad Orwellian, Zuckerberg is resolute in his belief that the future is at once more social and better. “To be a technologist is fundamentally to be an optimist,” Cohler said. “Technology is an amplifier and enabler of human behaviour, so when you’re creating it you’d better have an optimistic view of human nature.”

Cohler and others close to Zuckerberg attest to his desire to do good in the world. That is reassuring, seeing as Facebook is a company with big plans for the future. “If you look at their behaviour, they are not optimising for the short term, or even the medium term,” says one source close to the company. “They have a 20-year horizon.” Exactly where this will lead is unclear. Technology moves fast. Last month, Yuri Milner, chief executive of a Russian investment group that owns about 10 per cent of Facebook, said he believed Facebook would be powering artificial intelligence within 10 years.

Instead of maximising revenue as soon as possible (“They haven’t tried to make money yet,” says one source who works directly with Zuckerberg. “They’ve made enough to keep the lights on”), Facebook is instead trying to weave itself as deeply as it can into the fabric of the worldwide web. Last year, Facebook board member Marc Andreessen told me the company’s user base would “cap out at some point at the number of people who have electricity”. Since that interview, Facebook has added more than 300 million users. “It’s getting to the point where it is very hard to unseat Facebook,” Forrester analyst Augie Ray told me. “Not just because people have their social graph established and don’t want to recreate it, but because the more Facebook becomes integrated into the web and mobile applications, the harder it is to ever replace.”

See also The Inventory with [Chris Hughes](#), Facebook’s co-founder

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I was there at the dawn of Facebook

I don’t have much in common with the Flashmen and Zelig’s of history. But when it comes to the great “Where were you when ... ?” moments of our time, I do have one claim to fame. While Mark Zuckerberg coded his way through a little thing called Facebook, I was happily reading, sleeping and gossiping on my sofa just metres across the campus at Harvard. Rather like Rip Van Winkle with less facial hair, I snoozed through the revolution.

Of course, in those distant college days, the site was simply known as thefacebook. Its inspiration – a book of photographs compiled by the university, and occasionally

scrawled on with ink moustaches – still sat above the phone in freshman dorms. But those phones rarely rang; the age of mobiles and instant messaging was upon us. And then Zuckerberg sat down at his desk.

In the beginning, thefacebook numbered its users. Rumour has it that the first three memberships were test accounts. Zuckerberg was number four. My savvy roommate was an early convert: number 51. Old e-mails show that I wasn't ashamed to capitalise on the foresight of others: "Can I borrow your Facebook password and user name? I want to stalk this one person ..."

There was no fanfare. Before the hype, before the movie, before the billions, there was just a new verb: "Facebook me". A poke could provoke hours of analysis. Meanwhile, the midnight glow of a hundred library laptops was dotted with miniature Zuckerberg heads as students facebooked the night away.

Today, people ask me how I missed the warning signs of genius breaking. Hadn't I seen an absent-minded Zuckerberg wandering through our shared Kirkland dining hall in pyjamas, muttering code? Well, yes, quite possibly. Unfortunately, in the days before jobs and personal grooming, that wasn't enough to single him out.

Still, journalistic instinct kicked in eventually. In November 2004, Current, a student magazine I edited, ran an exclusive interview: Zuckerberg's first cover story. Re-reading it, you can see the college student and emerging entrepreneur battling for ascendancy. One minute, Zuckerberg is talking through the site's expansion plans and admitting one of his motivations for starting it: "Harvard is a fairly unfriendly place." The next, he's revealing his computer's nickname – "Tinkerbell". Asked if thefacebook helped him to pick up girls, he responded, "It helps my friends to pick up girls" – showcasing an early ability to handle the press.

And with that he was off our cover and on to his second, then his third.

Palo Alto and 500 million members beckoned. It turns out revolutions really can happen while you're sitting on the sofa down the hall.

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