2017 Teens Strategic Focus

FBF Product Leads Distro
11 / 8 / 2016

Contents

- H1 Plan: What we shared with Zuck Oct. 27
- What happens next

Where we're at in the H1 planning process

- Sept. 8: Kicked off age modeling, Understand sprint
- Oct. 14: Teem Brainstorm
- **Now:** Understand: Research, Data, Modeling, Legal
- **Now:** Joint planning with partner teams
- Nov. 22: Agree key project goals, partner teams, staffing
- Dec. 13: Confirm plans at H2 reviews
- Dec 15: All Understand research + data lands
- Early Jan: Finalize product goals, build

Our 2017 Goal & Market Position

2017 Top-Line Goal

- **Strategic goal: Time Spent Share**
  - What percent of all <= 18 smartphone + tablet time is an FB experience?
- **Operational metric: Aggregate Total Time Spent**
  - e.g. "15 billion minutes/day across FB Family"
  - Built from MAP * DAP/MAP * TS/DAP
- Total time is the product of participation and engagement
  - Rewards both Growth and Engagement wins
- Diverse projects can all be sized by contribution to time

We estimate that we have 32% of global youth smartphone time spent

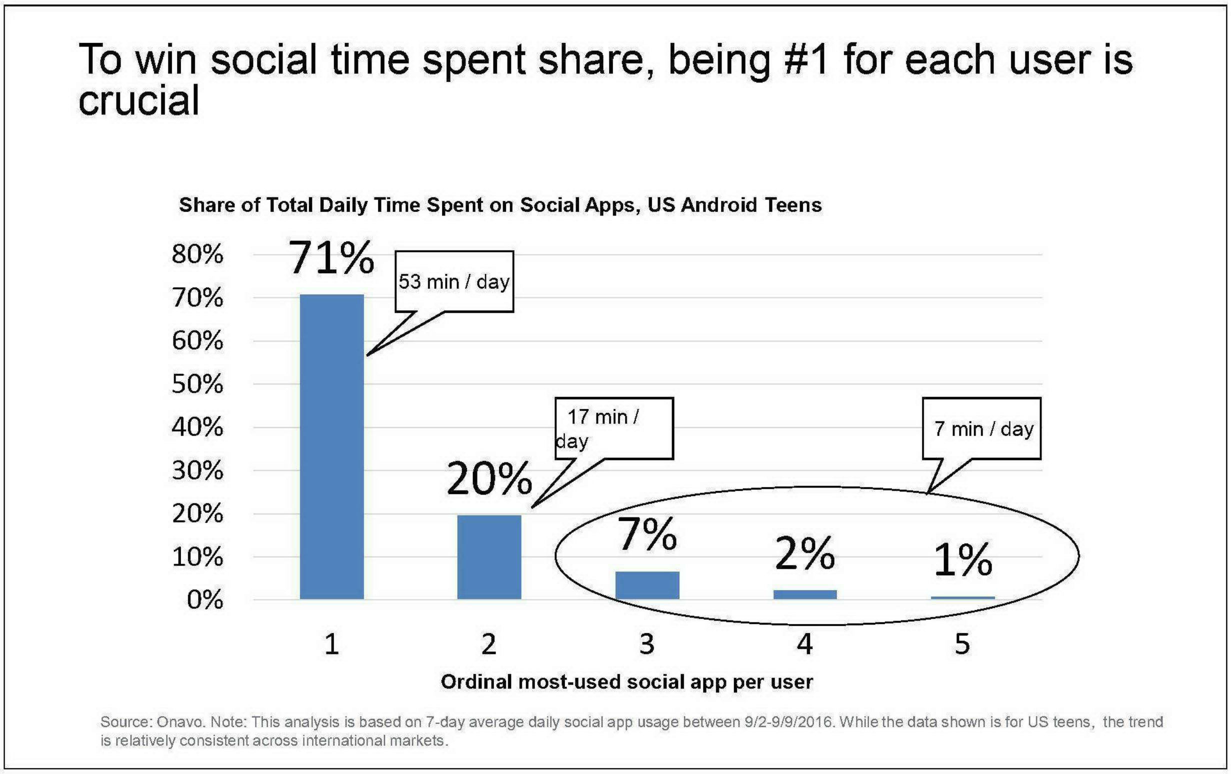
	United States	Western Europe	RoW
Smartphone Daily Hours	23M Android 60M iOS **83M Total**	36M Android 40M iOS **76M Total**	371M Android 59 M iOS **430M Total**
FBF Daily Hours	5.7M Android 7.6M iOS **13M Total**	10.4M Android 11.4M iOS **22M Total**	131M Android 21M iOS **152M Total**
Facebook Inc. Share	25% Android 13% iOS **16% Total**	29% Android 28% iOS **29% Total**	35% Android 36% iOS **35% Total**

Note: Youth: <=18. Estimates are approximate based on a combination of Onavo and internal data.

The two key drivers of youth smartphone time spent are social and entertainment

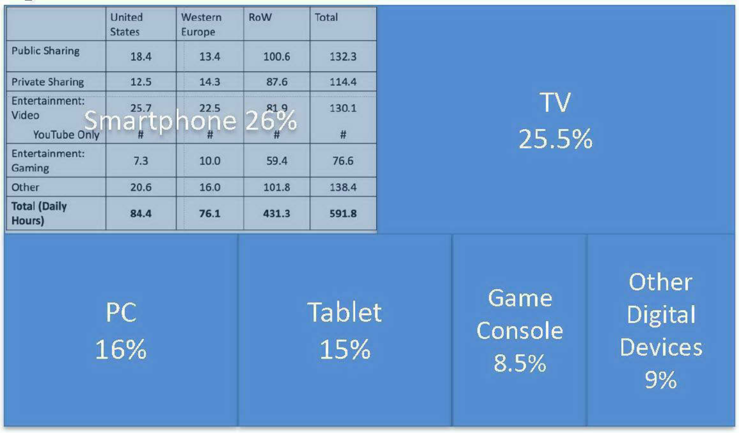
Millions of Hours	United States	Western Europe	RoW	Total (M hours)
Social: Broad Sharing	22%	18%	23%	22%
Social: Small Group Sharing	15%	19%	20%	19%
Entertainment: Video	30%	30%	19%	22%
YouTube Only	17%	22%	15%	16%
Entertainment: Gaming	9%	13%	14%	13%
Other	24%	21%	24%	23%
Total (Daily Hours)	100%	100%	100%	100%
Total (Daily Hours)	**83M**	**76M**	**430M**	**589M**

Notes: (1) Youth: <=18. (2) Smartphone inclusive of iOS and Android.



As Calvin mentioned, most of the growth will be coming from Android teens, I will like to dive a bit deeper to understand the competition among social apps for teens on Android. Firstly, I would like to argue that the competition among social apps is about competing to the #1 app.

Smartphone TS is approx. 26% of developed world youth* digital media consumption



	United States	Western Europe	RoW	Total
Public Sharing	18.4	13.4	100.6	132.3
Private Sharing	12.5	14.3	87.6	114.4
Entertainment: Video	25.7	22.5	81.9	130.1
YouTube Only	#	#	#	#
Entertainment: Gaming	7.3	10.0	59.4	76.6
Other	20.6	16.0	101.8	138.4
Total (Daily Hours)	**84.4**	**76.1**	**431.3**	**591.8**

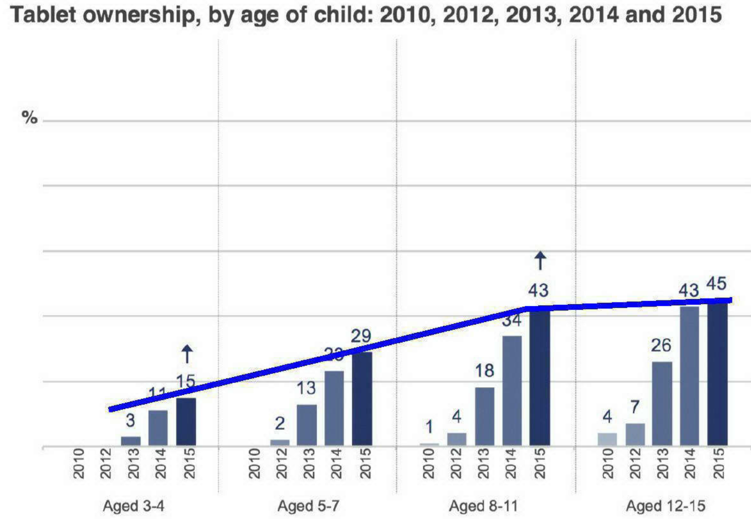
Key takeaway: Smart phone usage heavily *__under-indexes__* the importance of entertainment in teen lives

* Youth: <=18. Figure is approximate for US and Western Europe.

Our current results are despite FB choosing not to serve the U13 segment

- All of our youth products are for 13-18+
- In regulated markets we legally restrict access for underage youth
- We have not built and launched any products to serve the significant social and entertainment needs of younger kids
- Tablet and smartphone usage trends continue to push the age of first connected device and first social needs younger

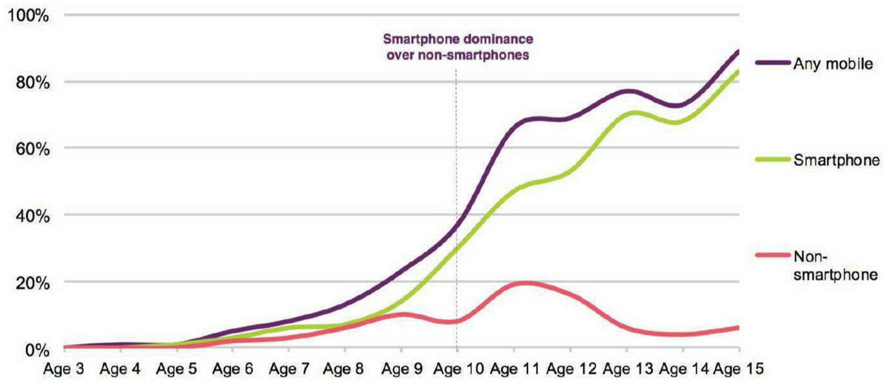
U13: Significant tablet usage starts at 3-4



Source: UK data. Ofcom Children and Parents: Media Use and Attitudes Report. November 2015.
Base: Parents of children aged 3-4 (688 in 2015) or 5-15 (1379 aged 5-15, 399 aged 5-7, 492 aged 8-11, 488 aged 12-15 in 2015) - significance testing shows any change between 2014 and 2015.
Note: Ofcom was established in the British Communications Act of 2003 as "the independent regulator and competition authority for the UK communications industries."

U13: Smartphones dominate from age 10

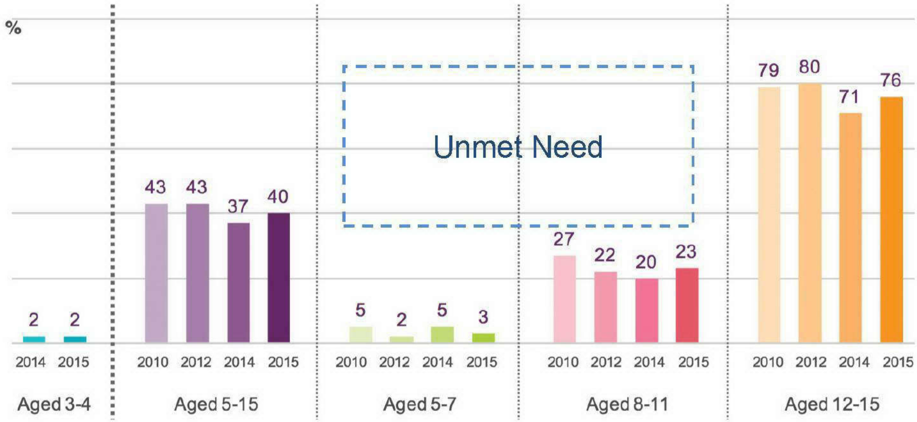
Figure 12: Smartphone ownership, by age of child: 2015



Source: UK data. Ofcom Children and Parents: Media Use and Attitudes Report. November 2015.
Base: Parents of children aged 3-4 or 5-15 (371 aged 3, 317 aged 4, 160 aged 5, 129 aged 6, 110 aged 7, 171 aged 8, 118 aged 9, 94 aged 10, 109 aged 11, 164 aged 12, 108 aged 13, 97 aged 14, 119 aged 15)

U13: Social identity is an unmet need ages 5-11

Figure 48: Children who go online and have an active social networking site profile (2010, 2012) or social media profile or account (2014, 2015), by age



Source: UK data. Ofcom Children and Parents: Media Use and Attitudes Report. November 2015.
Base: Parents whose child ever goes online at home or elsewhere aged 3-4 (262) or 5-15 (1176 aged 5-15, 260 aged 5-7, 441 aged 8-11, 475 aged 12-15).
Significance testing shows any change between 2014 and 2015. Question amended from 2014 to refer to social media sites or apps, previously referred to social networking sites. From 2014 responses are taken from the child aged 8-11 or aged 12-15 rather than the parent

2017: What We're Building & Why

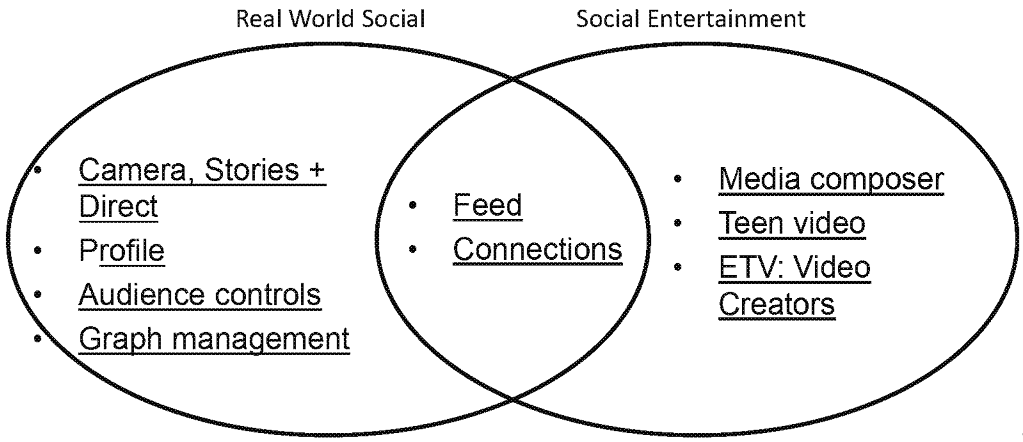
Note to product leads: The following slides are a declarative strawman. We expect to work with you and your teams to confirm and refine actual product plans, investments, and goals.

Globally, we should rebuild social Facebook to work better for teens, including entertainment

- **Goal: Retain MAP and DAP, grow teen time spent**
- Use Camera, Stories + Direct for OBPS, and Feed for both OBPS and entertainment
- Build a new profile that de-emphasizes timeline and past sharing, and allows greater self-expression and personalization
- Build audience controls and help new FB teens manage their graph
- Shift feed and connections ranking like PYML to better match the interests and needs of teens, including entertainment content
- Build a new media composer to create and share GIFs, memes, music clips, and more non-original self expression
- **Rationale:**
  - Our entire product needs to evolve into a coherent sharing space that meets key teen needs of social + entertainment
  - For teens, Social biases toward messaging and small-group sharing, and Entertainment benefits from the broad sharing and viral aspects of Feed

In the US, emphasize “social entertainment” market opportunity to win back teen interaction

- Real World and Social Entertainment coexist in FB, with different emphasis by geography: RoW is more “real world” and US is more “social entertainment”



For U.S. teens, we should bet big on Instagram Direct + Stories to beat Snapchat

- **Goal: Increase U.S. teen time spent**
- Make Instagram Direct and Instagram Stories the best platform for U.S. teen messaging and sharing

- **Rationale:**
  - Messaging + Stories is key to winning social for U.S. teens
  - Instagram is our strongest platform with this audience
  - This is hard but important
  - There may be leverage in Instagram's strength around topical public content + teen interests

For RoW teens, we should build FB social video around teen stars

- **Goal: Increase RoW teen time spent**
- Through <u>partnerships</u>, <u>monetization guarantees</u>, and <u>better tools for creators</u>, significantly grow the VoD content from teen stars on Facebook
- Initial pilots underway in Egypt and Colombia
- Targeting ~250 high quality new hours of inventory per country per month
- Time spent goals drive Q2 expansion to 10 MENA, LATAM, APAC countries
- Once proven (2018?) bring back to US in force, at scale
- **Rationale:**
  - Teens love video of all kinds, and teen stars produce very engaging and social content

For U.S. Teens, we should maximize high school communal activities within Facebook

- **Goal: Grow MAP, DAP, and time spent among U.S. teens**
- News and Events
- Group features for clubs & classrooms/homework
- High school sports: potential live broadcast + was-live highlights to drive teen and parent social engagement during and after games

- **Rationale:**
  - High school is the key driver of U.S. teen social activity and occupies 6+ hours per day
  - Research indicates that we have "FB" and "non-FB" high schools correlated with Android and iOS; tipping schools via unique shared experiences may be high impact
  - Parents play a big role in extracurricular events and sports fandom – leveraging where teens and parents are socially aligned may be a viable strategy

For U13 kids, we should build Facebook One

- **Goal: Grow MAP, DAP, and time spent among U13 kids**
- Identity and platform login to power many partner games and apps
- A new Facebook app
  - Visual & text messaging with parents and friends
  - Feed of video and entertainment content
- Parents use FB Blue to message, share video, and manage kid account
- COPPA-compliant and launched in the U.S. ~August
- **Rationale:**
  - Market need is growing
  - Lack of clear winner
  - Our strength with parents is valuable
  - Platform login can accelerate adoption by making existing kid apps social and better

Summary: Our big 2017 bets

Fix Facebook: - RoW Social - US Entertainment	Instagram: US messaging and Stories	Teen Video: Start in RoW, grow to US	Facebook for US High Schools	Under 13s - Platform - Messaging - Video

What Happens Next

Next stages of our planning process

- Now: High-level Zuck slides
- Nov. 11th One pagers after iteration and focus
- Nov. 24th Product & partnership plans
- Dec. 13th initial goals + reviews
- January: Final plans, goals, and BUILD

New H1 project ramp-up status

- **Fix Facebook:**
  - Feed: "Teen feed' actively staffing out of SEA; setting goals and plans now
  - Profile: Identity summit with Profile, IG, Teens (next week…?)
  - Media Composer: Initial planning with Friend Sharing
  - Clean Graph: Early planning with Growth
  - 'Social Entertainment' concept: Alex [redacted] is point
- **Instagram:** Ongoing with Instagram
- **Teen Video:** Ongoing with Media, Pages
- **U13 Planning:** Teem-Driven
  - Platform: Initial planning stages

Current Teem Project Status

- **Content Discovery:** Full Speed Ahead -> Feed & Connections
- **Teen Video:** Full Speed Ahead -> Teen Video
- **Schools:** Ship colleges in H2, start plan for HS focus in H1
- **ETV:** Ship Profile work, plan with Pages for H1 expansion
- **Lifestage:** Pause active development

We're building a new age affinity model

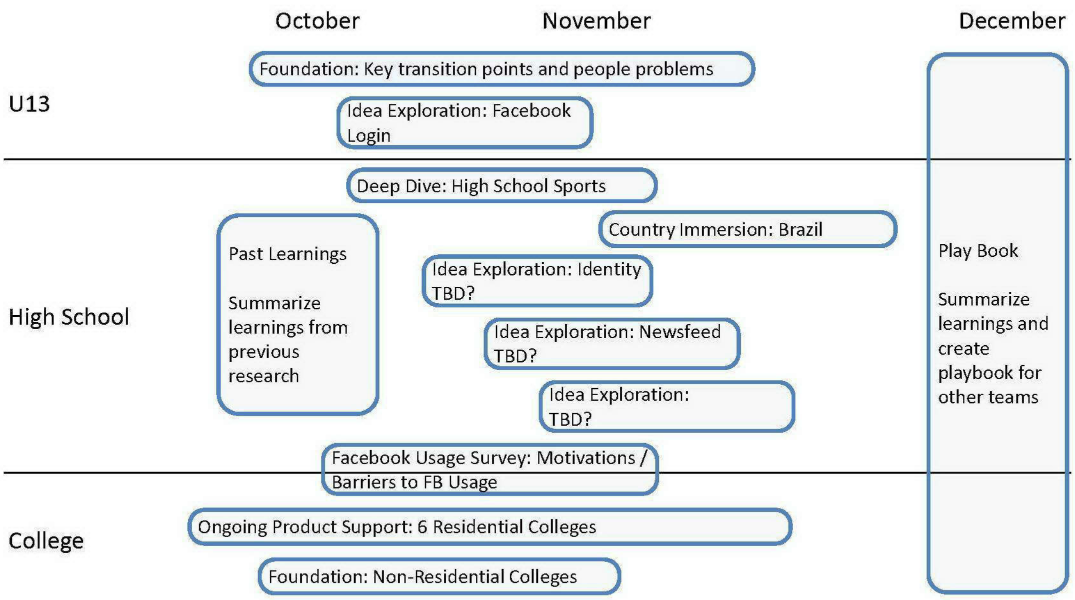
- **11/11 ETA of Version 0**
  - Year of birth model
  - Includes IG validation
- Reference + playbook for product teams
  - Deltoid, Dashboards should be available in Q1
- State of the Union on & off FB surfaces
  - Onavo
  - Platform App Data
- Progress
  - Target countries identified: US (>13 only), UK, AU, FR, IN, EG, TH (U13), BR (U13)
  - Purchase of external data in progress
  - Processing new internal data
    - Happy 'nth' Birthday posts <22 produced 2m in US, 6m RoW

Appendix

Things we don't know yet

- How much emphasis on FB vs. IG for teen Stories + Direct?
- If we pivot FB toward entertainment, are we OK with OBPS impact?
- U13 people problem Research is in progress
- IG or WhatsApp or Flash for RoW messenger – how can we help?
- How important is tipping U.S. high schools?
- It's unclear how Messenger can help – everywhere but not 1st anywhere

H2 Understand Research Workstreams



Understanding teen usage – fixing the growth and engagement funnel

Acquisition and activation

- Growth accounting (ETA: 12/1)
- Multiple accounts/deletion

Connection and network building

- Friending and PYMK
- Connection building: GYSJ, PYML, PYSF

Consumption

- NF ranking
- Feedback and mimicry
- Inventory (following)
- Profile vs NF

Production

- Curation/ snap-sharing
- Profile curation
- Off FB sharing
  - Link sharing
  - Platform sharing (YT)

H2 Recent Relevant Research

- Synthesis of Past Research
- U13
  - Tween Use of Musical.ly
- Teens
  - Teen Opportunities Focus Groups
  - 2015 Teen App Landscape Survey (2016 coming soon)
  - Colombia Video Immersion & Teen Creators Interviews
  - High School Utility Needs Survey
  - Video Content Consumption Speed
  - Snap Spectacles Expert Review
  - Collections Usability Round 1 & Round 2
  - Snapchat Use in Norway Focus Groups
  - Teen Audience Barriers Survey
  - Flash Brazil Usability Test
  - Use of Snapchat Snaps vs Stories Survey
- College
  - College Utility Needs Survey
  - Role of Exclusivity in College Communities Survey