

Message

From: Emmaka Porchea-Venezsee [/O=THEFACEBOOK/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=██████████]
Sent: 6/15/2017 4:53:06 AM
To: Mark Zuckerberg [██████████@fb.com]
CC: Andrea [██████████@fb.com]; Jen [██████████@fb.com]
Subject: Tomorrow -- 11am start @ MPK, Building 15
Attachments: image001.png; 17_H2 2017 Instagram Strategy.pdf; 18_WhatsApp H1 2017.pdf; 19_Messenger H1H217 Review.pdf; 20_Marketplace-H1-H2-2017.pdf; 21_Platform H1-H2 Update.pdf; 22_Local H2 Review 2017.6.pdf; 23_Ads H2 Review 2017 (1).pdf; 24_FINAL Core Growth 2017-H1-H2 review.pdf; 25_social_good_h1_h2_in_person.pdf; 26_goodwill_h1_h2_review_in_person.pdf; 27_2017.06.15 - SC & WEM H1H2 Review (Final).pdf

Pre-reads attached:

- H1 / H2 Product Reviews

Things to flag:

- 7:30pm Dinner w/ Nestor, Edgewood
- 9:30pm Haircut w/ William, Edgewood

Reminder:

- Check on Kauai progress (as needed)

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	THURSDAY
	15
8 AM	REMINDER: check on Kauai progress, as needed; Mark Zuckerberg
9	
10	
11	Instagram; B.15 Son of Ping and Pong + BJN // https://bluejeans.com
12 PM	WhatsApp B.15 Son of Ping and Pong + BJN // https://bluejeans.com/51057958
	Messenger B.15 Son of Ping and Pong + BJN // https://bluejeans.com/65054348
1	
	Marketplace; B.15 Son of Ping and Pong + BJN // https://bluejeans.c
2	Platform; B.15 Son of Ping and Pong + BJN // https://bluejeans.com/
	Local; B.15 Son of Ping and Pong + BJN // https://bluejeans.com/510
3	Ads; B.15 Son of Ping and Pong + BJN // https://bluejeans.com/6505
4	Core Growth; B.15 Son of Ping and Pong + BJN // https://bluejeans.c
	Social Good; B.15 Son of Ping and Pong + BJN // https://bluejeans.c
5	Goodwill; B.15 Son of Ping and Pong + BJN // https://bluejeans.com
	Special Countries + WEM; B.15 Son of Ping and Pong + BJN // https://bluejeans.com
6	Day 3 debrief B.15 Son of Ping and Pong + One-Touch: +14087407256,,,510579582 Mark Zuckerberg
7	
8	Dinner with Nestor Edgewood Mark Zuckerberg
9	
	9:30pm Haircut w/William; Edgewood
10	

H2 2017 Instagram Strategy

H1 Summary

GOALS

	A	B	C	D
1			Projected Finish	Goal
2	Growth	MAP	757M	745M
3		DAP	472M	462M
4		US Teen DAP Accounts	11.4M	12.1M
5	Engagement	Broadcast Media/DAP	0.56	0.63
6		Feed Media/DAP	0.31	0.31
7		Stories Media/DAP	0.24	0.32
8		Private Media/DAP	0.06	0.09
9		Live Broadcasts/Day	6.2M	3.5M
10		Time Spent	28.2 mins	28 mins
11	Monetization	Revenue	\$1.69B	\$1.65B
12		Monthly Active Businesses	13.5M	10.5M
13		Monthly Active Advertisers	1.8M	2.1M

HIGHLIGHTS

- We're growing faster than ever (+218M Y/Y) and our DAP/MAP ratio is near the highest it's ever been (62.5%).
- 260M consume stories and 42M produce.
- People share 60% more broadcast media and 101% more private media while spending 16% more time in the app compared to last year.
- We are on track to make \$4.1B in 2017. FB teams (Ads & Business Platform and GMS) have been amazing partners!
- We have a highly functioning first remote office (NYC) that has grown to 85 engineers.

LOWLIGHTS

- We have not turned around US Teen DAP. In fact, we learned that the trend is even worse per person (vs. per account).
- SEVs slowed down growth. To avoid this in H2, we will invest heavily in Data Engineering and cross-team collaboration, in particular between growth and PAC.
- Stories growth is slower because we've saturated markets and WhatsApp has grown quickly in South America.

LEARNINGS

- Post-capture creative tools like drawing and stickers did not increase stories production. However, pre-capture creative tools like face filters and new video formats did.
- Multi-account switching and Finstas have introduced a gap between accounts and people. People growth is 5-10% lower than account growth. On the other hand, people engagement (time spent, sharing, etc) is higher.
- Setting true 50/50 goals unsettled teams but inspired urgency and overall performance.
- Our scale dictates that we have to plan our features well in advance with the Infrastructure team. We didn't do this last half and left the Infra team scrambling to help.
- Our recruiting process is additive to the Facebook hiring pipeline. 90% of candidates we engaged with had not responded to FB recruiters. This half, we hired 49 engineers through this outreach; 18 have completed bootcamp. Of those, 12 have selected Facebook teams and 6 have selected Instagram.

Our Strategy

1. Reverse the US teen decline
2. Maximize visual sharing across formats
3. Grow time spent through interests
4. Aim for 1B MAP
5. Deliver \$4.1B in 2017

Reverse the US Teen Decline

	A	B	C	D
1		H1 Projection	H1 Goal	H2 Goal
2	US Teen DAP	11.4M accounts	12.1M accounts	11.7M people (flat Y/Y)

Note: In H2 we are switching to people-based accounting and the “age affinity model.”

H1 SUMMARY

In H1 we didn't grow US Teen DAP. Teen accounts are flat Y/Y, but accounting for Finstas, we have 5-9% fewer teens since last year. While the models are not precise, the trend is clear. In fact, it looks worse if you consider how many more teens now use smartphones today than a year ago. To fight this trend, we launched growth projects and product improvements.

Our growth projects focused on acquiring teens and connecting them to friends. For acquisition we used Audience Network but it did not have sufficient scale. We are waiting for results from advertising on Google properties. For connections, the contact importing, friend-finding and AYSF work lifted US teen DAP by +1%.

We focused our product efforts on creativity and audience control. Face filters were the big bet on creativity but have not moved sharing or retention for US teens. We believe that matching SC will not convert US teens. Audience control will launch to a country test this half, and globally in H2, though we cannot predict its impact at this moment.

H2 PLAN

- **Connect teens to their friends:** build on the success of H1 contact importing and ranking. We will also enable “nearby friending” via QR codes.
- **Help teens invite their friends via sharing content:** Teens on IG are very active (80% DAP/MAP). We will help them share teen-centric IG content to friends who don't currently use IG .
- **Help teens scope their audience:** we will launch Favorites shortly (mocks in appendix). Teens produce 3x on their Finstas with a smaller audience and we hope to have the same effect.
- **Launch differentiated sharing products**
 - **Launch co-broadcast on Live** (mocks in appendix). Teens are responsible for 37% of all broadcasts and >1.2M US teens go live on IG each day. We want to scale live as a natural hangout product for all teens.
 - **Launch a selfie studio** with makeup, accessories and environments (mocks in appendix). A survey of 13-year-olds showed our largest gap relative to Snapchat is creative tools. We're betting big on realistic selfie enhancements.
 - **Launch Stories highlights** that allow teens to promote posts from their story permanently on profile. Teens spend disproportionate time on profile with ~65% visiting their own daily (versus 48% for non-teens) and we think this product offers unique self-representation that teens will want to modify daily.

Maximize Visual Sharing Across Formats

	A	B	C	D
1		H1 Projection	H1 Goal	H2 Goal
2	Broadcast Media/DAP	0.56	0.63	0.80
3	Feed	0.31	0.31	0.38
4	Stories	0.24	0.32	0.42
5	Private Media/DAP	0.06	0.09	0.18
6	Live Broadcasts/Day	6.2M	3.5M	7.5M

FEED

In H1 Carousel (multiple videos and photos per post) slowed the decline of media/dap from -15% Y/Y to -8% Y/Y. We also launched archive, which lays the groundwork for stories highlights in H2. We spent the majority of our time working on Favorites, which will launch to a country test in June and globally this summer.

In H2, we plan to:

- Launch “Favorites” to 100%
- Launch Stories Highlights on profile
- Unify camera and allow stories camera to post to feed

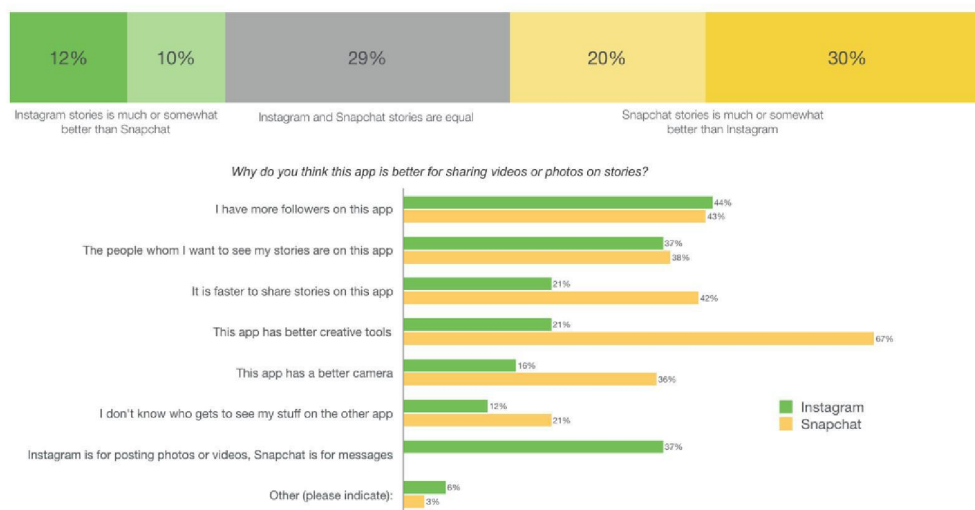
STORIES

At the end of H1, more than 50% of DAP consume stories and 9% share to stories. We did this with a combination of ranking, performance, merchandising and creativity work. That said we’re growing more slowly now because of saturation and WhatsApp status growth.

In H2, success is more people sharing to stories. In our best countries like Spain, 20% of DAP share. In our worst performing countries like the US, only 5% do. Sharing is negatively correlated with Snapchat penetration so we attempted to understand the gap in our product offering with the survey below. The largest factors that determine people’s relative happiness with Snapchat are:

1. Snapchat has better creative tools
2. Snapchat is faster to share
3. Snapchat has a better camera
4. Snapchat audience is clearer than Instagram’s

SNAPCHAT STORIES IS FOUND TO BE BETTER THAN INSTAGRAM STORIES



How would you compare Snapchat and Instagram for sharing photos or videos on stories? n=641 users of both apps. Chi Square test shows significant difference with $p < 0.001$. Why do you think this app is better for sharing videos or photos on stories? n=140 for Instagram and n=317 for Snapchat

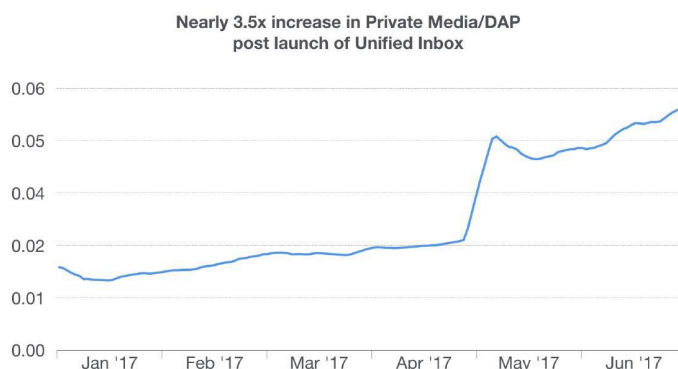
17

To address these gaps, we will:

- Launch new creative tools focused on selfies
- Improve speed and reliability
- Launch a standalone camera app
- Launch Favorites to solve audience problems

DIRECT

In H1, we have found product/market fit. The new launch increased visual senders by 3.5x and people are sharing ~6% more every week. Although we only have 8.0M people sharing every day we believe we're on a promising trajectory. However, Snapchat sees more private senders than Stories producers. We have the opposite situation.



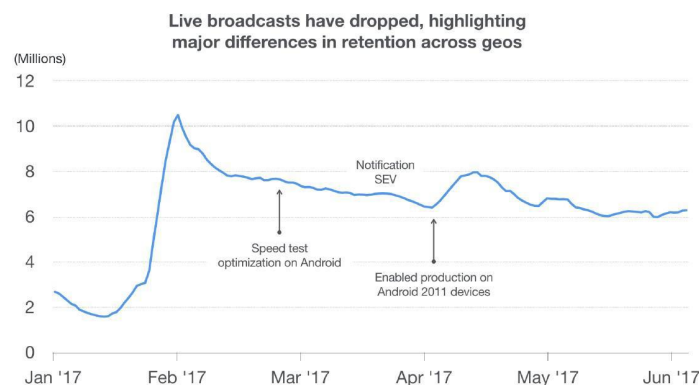
When we asked people why they don't use direct, the top reasons was that Snapchat is much faster to send media.

In H2, we will address this by:

- **Making Direct fast and reliable.** 50th percentile uploads take 16 seconds to complete and 10% take more than 2.5 minutes. We have many examples like this and will work on making Direct rock solid.
- **Launch a standalone app for visual messaging.** The app will optimize for sharing speed by opening to a camera. We will grow the app by using promotions in the IG app like we did with Layout and Boomerang. The features are TBD.
- **Ship selfie-centric creativity tools.** We believe the selfie is the main subject of messaging. We need to focus our creativity tools on the self as the canvas. Our work will focus on makeup, accessories and environments to transform every selfie into something you're excited to share.

LIVE

In H1, we launched IG Live to 100%. We surpassed our 3M daily broadcasts goal, but we don't have product/market fit. In major markets like the US broadcasts have declined each week since launch.



We believe the broadcaster decline has three root causes. First, it's hard to build an audience. 25% of broadcasts end with zero viewers. Second, there is an unnatural lag between broadcaster and viewer interactions. It can take >15s for comments to come through. Finally, people report being self-consciousness about their appearance so they avoid broadcasting.

In H2 we will address these by:

- **Eliminating the delay** The user expectation is that conversation is as real-time as other messaging experiences, especially in smaller, more intimate broadcasts. We will move to WebRTC for all small broadcasts, and optimize our push channel and our in-app prompts to bring people in to your broadcast.

- **Building co-broadcast and friend presence so you can have natural conversations.** Bringing a friend live with you reduces the pressure of having something interesting going on. Based on FB Live With data, the feature also increases the length of broadcasts. We wanted to launch this in H1 but couldn't because of a shortage of WebRTC engineers.
- **Integrating creative tools.** Face filters and other pre-capture creativity tools are another way of making you feel comfortable broadcasting.

In addition to the above, infrastructure is critical to our success and we need to do better staffing the video infra team and preventing SEVs. We need more engineering support to launch adaptive bit rates and we need additional RTC engineers so we can quickly ship co-broadcast. Finally, we have seen several push alert SEVs which immediately drop broadcast volume as users fail to get viewers. We need to do better making our push service more reliable.

Grow Time Spent Through Interests

	A	B	C	D
1		H1 Projection	H1 Goal	H2 Goal
2	Time Spent	28.2 mins	28 mins	31 mins

We have increased time spent by +16% in the last year through feed ranking and other wins. However, people still spend significantly less time on IG feed (7.8 min/day) than FB feed (20 min/day). This gap in time spent is mostly because of a lack of feed inventory. We believe the best way to solve the inventory gap is to help people discover interest-based accounts and content. People already organically connect with their interests on IG: 40% of DAP spend on average 10 min/day on Explore and ~40% of searches are topical. However, until now, we have yet to build a system that makes discovery and consumption easy.

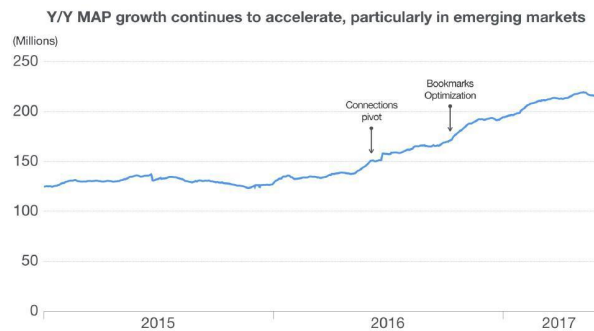
In H2 we will:

- **Categorize accounts by topic and make them searchable and discoverable**
- **Allow people to follow hashtags and enable anyone to hashtag photos (not just their own)**
- **Enable longer videos so creators can share their videos**

Aim for 1B MAP

	A	B	C	D
1		H1 Projection	H1 Goal	H2 Goal
2	MAP	757M	745M	898M
3	DAP	472M	462M	557M

We will end the half around 757M MAP. This is above our goal of 745M but below our stretch goal of 762M. We are growing faster than ever (+218M MAP Y/Y), but there are more opportunities ahead.



The team has shipped many wins like optimizing registration and access flows, optimizing FB integrations for installs and notifications, and improving connections ranking. We spent H1 onboarding a lot of new members to the growth Eng and PM teams. This led to slower execution and SEVs that could have been prevented/caught earlier.

In addition to core growth, we kicked off several initiatives in H1 to build towards 1B MAP:

- **Investing in mobile web.** We completed our H1 goals including instrumentation and logging for web traffic, building feed creation on mobile web, updating the nav and adding logged in Explore. We have seen an improvement in web time spent as a result.
- **India-focused growth initiatives.** In the last year we added 26M users in India on a base of only 13.4M (186% Y/Y MAP growth). However, we have room for improvement as IG India MAP is only 17% of FB's vs 40% in other markets. We have seen healthy net growth in India in the last month due to Reg/Access wins on Android and NetEgo enhancements to boost India acquisition via FB.
- **Launched 4 special pricing offerings** with mobile operators across LatAm, Middle East, and APAC. We saw success in Peru, but also identified the need for a more sustainable product to manage the increase in traffic on carriers' network (largely driven by video).

In H2 we're focusing on the same areas:

- **Core growth fundamentals:** we will continue to work closely with the FB team to promote the family of apps to IG users as well as optimize IG integrations on other apps. We will also invest more in PAC to proactively prevent spam and account hacking attacks that have led to SEVs impacting growth.
- **Grow Mobile Web.** We will continue to build out product features on web including Stories, Live and Direct Messaging, to improve retention. We will also accelerate web growth through registration and friending optimizations.
- **Carrier special pricing.** We learned from our H1 deals that we need a more sustainable product to manage the increase in traffic on carriers' networks from people using IG

video. We will be following in Facebook's footsteps with a plan around "IG Flex", an experience that balances free and paid mode for carriers. We will build this over the half and ship a test this year.

- **App performance.** This half we are improving our understanding (measurement and tooling) of performance at the p90 levels and running tests to quantify how performance metrics impact growth. We will also implement pre-fetching and caching logic to address perceived wait time across the app without over-fetching content.

Deliver \$4.1B in 2017

	A	B	C	D
1		H1 Projection	H1 Goal	H2 Goal
2	Revenue	\$1.69B	\$1.65B	\$2.44B
3	Monthly Active Businesses	13.5M	10.5M	23M
4	Monthly Active Advertisers	1.8M	2.1M	2.4M

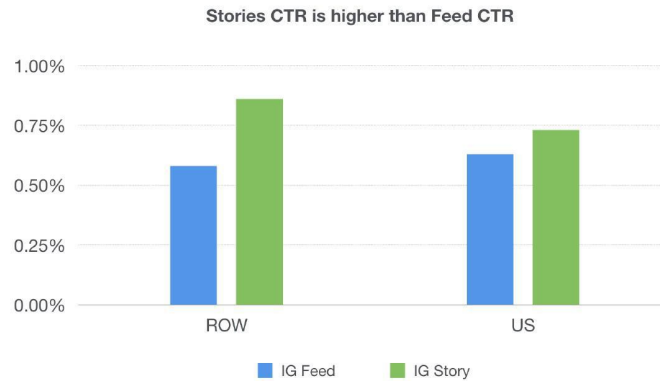
FEED ADS

We will exceed our revised H1 goal of \$1.65B by over 3% because of improved performance. Over 52% of our revenue came from Placement Optimization with opt-in at over 30%. In order to carry this strength into H2 we will continue to increase performance and increase ad load from 8.5% to 10%. All of these efforts will get us closer to FB's monetization per hour by the end of 2017:

	A	B	C	D	E
1	Global \$/TS (hour)	2015	2016	2017	2018
2	FB Mobile Feed	\$0.17	\$0.18	\$0.20	\$0.20
3	IG Feed	\$0.05	\$0.13	\$0.17	\$0.19
4	IG Stories	-	-	\$0.03	\$0.06
5	IG Combined	\$0.05	\$0.13	\$0.14	\$0.16

STORY ADS

Stories advertising grew slowly. Important campaign objectives weren't available, and marketers were slow to adopt the required vertical 9:16 format. However, early ROI from campaigns looks good and our growth investments are helping bootstrap demand for when stories ads are available across the FB family. We also introduced organic links in Stories and it seems to be helping ads: Stories "CTR" is higher than feed (see below). We are excited to test a range of new ads experiences in Stories in H2, including Swipe Up to Watch More, Canvas, and more.



ACTIVE ADVERTISERS

We will miss our monthly active advertisers goal and finish at 1.8M. Unexpected churn of SMBs using Promote (Website Clicks and Local Awareness) is driving the miss. Also, our retention is much lower than FB LWI's (40% vs 60%). Instead of building an engagement objective, we are going to experiment with other objectives like Reach and Profile Visits to see if we can find product market fit. Since Promote is just 4% of our revenue (and IG is 10% of overall), we will be more aggressive about learning quickly here in order to help inform future FB LWI product changes.

ACTIVE BUSINESSES

We beat our 10.5M active business goal by growing from 5.3M to 13.5M. In H2, we will simplify the on-boarding and education flow, with the goal of doubling the number of active businesses. Significant time spent on profile helps make it a destination in H2 with support for various actions such as messaging, booking, etc. We will also bring our nascent shopping product mainstream by on-boarding larger partners like Shopify and BigCommerce and building habits around discovering products on Instagram. Once they engage, our product will help people move down the funnel towards eventual purchase, though that purchase will happen offsite for the duration of this half.

Engineering

We are investing in Better Engineering, CPU and storage efficiency in the following ways:

- Modularizing our mobile app code to improve code quality, app start times, size, and testability
- Significantly increasing mobile test coverage
- Pushing Python code quality through expanded coverage of Types through our code-base and easier async code
- Understanding and optimizing data usage, Implementing efficient codecs and transcoding to minimize capacity demands

- Rewriting the Python runtime to increase efficiency and minimize CPU regressions

People

Below is a table of engineering headcount by team. We are going through a process to allocate the remaining 53 heads out to the teams for H2.

	A	B	C
1	Team	Current	2017 Allocation
2	Growth	37	47
3	Protect and Care	13	16
4	Engagement	53	70
5	Creation & Communication	47	66
6	Business Platform	62	68
7	Client Infra	25	29
8	Core Infra	40	42
9	Headcount (to be allocated)		53
10	Leadership	4	4
11	Total	#ERROR!	#ERROR!

Strategic Questions

- Are we doing enough to win back US teens, or do we need to think differently?
- We believe that in order to win visual messaging, we need the speed and pushability of a new app. What lessons can we learn from Messenger and the Diode process to prove or disprove this?
- As we grow, what are opportunities for IG to win new use cases for the FB family that add 100% incremental time?
- What would it take to grow +400M MAP per year?
- If our direct hiring efforts are incremental to FB Inc, can we push harder on this channel?

H2 2017 Goals

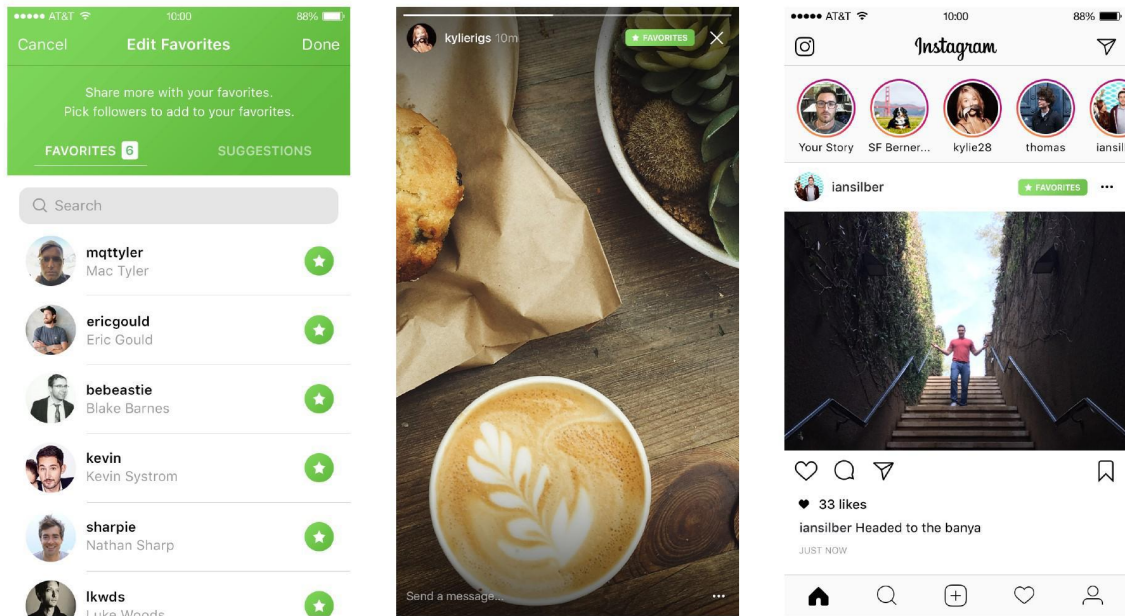
	A	B	C	D	E
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	A	B	C	D	E
1			H2 Start	H2 goal	Y/Y Delta
2	Growth	MAP*	767M	898M	261M
3		DAP*	474M	557M	146M
4		US Teen DAP People**	11.1M	11.7M	0%
5		Emerging Markets MAP	214M	262M	89M
6	Engagement	Broadcast Media/DAP	0.56	0.80	44%
7		Feed	0.31	0.38	8%
8		Stories	0.24	0.42	127%
9		Private Media/DAP	0.06	0.18	200% H/H
10		Live Broadcasts/Day	6.2M	7.5M	21% H/H
11		Time Spent	28.2 mins	31 mins	15%
12	Monetization	Revenue	-	\$2.44B	110%
13		Monthly Active Businesses	13.5M	23M	330%
14		Monthly Active Advertisers	1.8M	2.4M	108%

* MAP and DAP numbers this half include a one-time adjustment of 10M MAP and 2M DAP, because we are including web usage numbers on mobile devices for the first time.

** For US teens, we're switching to measure on people instead of accounts (they are diverging for US teens). We haven't finalized our goal due to recent changes to the age models, but tentatively our goal will be to grow *people* by 600K to get back to flat Y/Y.

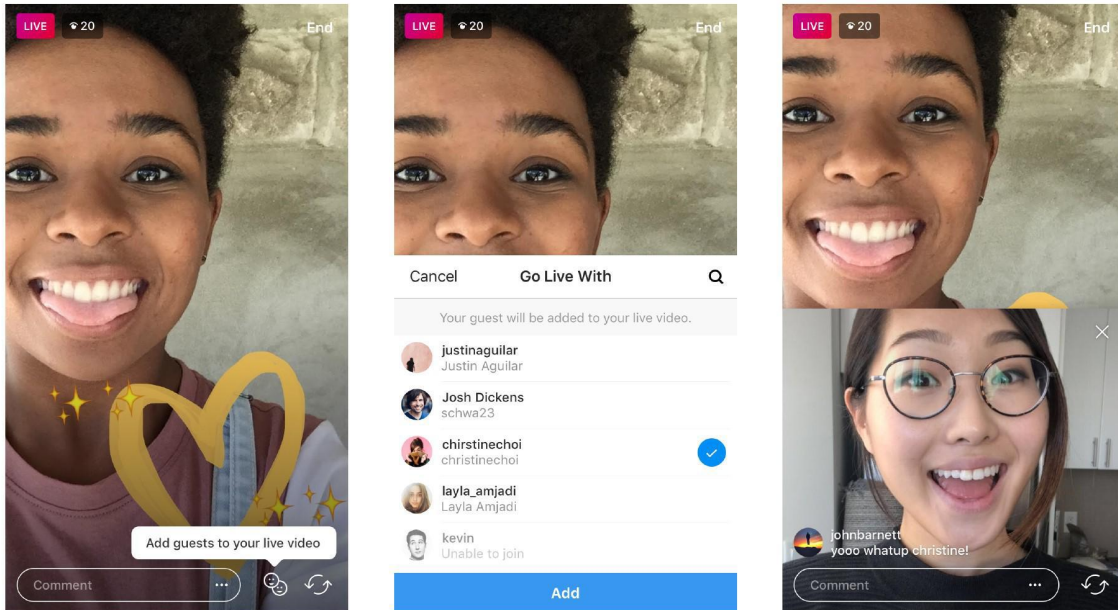
Appendix: Product Mocks



Favorites: Users list their close friends and then can chose to share to only those people in Stories and Feed.



Selfie Studio: Users add makeup, accessories and environments; can save for reuse



Co-Broadcast: Users can go live with friends during a broadcast