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[redacted] **Robert Chen (PM)** is with **Santosh** [redacted]
August 10, 2018 ·

Market Landscape Review - Aug 9 (fka Competitive Landscape Review)

We discussed **Snapchat**, **long term retention**, and **lifetime value.**

SNAPCHAT

- Please see the update linked. I did not repost here because it was posted separately
- In about two months, **Instagram iOS TSS will exceed Facebook's iOS TSS** (according to MINT)
- Open questions
  - Impact of SC redesign of redesign
  - GDPR on SC
  - How is SC tracking versus IG for tweens; Michael Shore on point

LONG TERM RETENTION

- "The young ones are the best ones"
- Work by Santosh [redacted] and Robert Chen
- Earlier in life you sign up for FB (e.g., age 13 versus age 18), the higher your long term retention
- Earlier in time you sign up for FB (e.g., 2010 vs 2016), the higher your long term retention
- The difference in long term retention can be dramatic, with the people who signed up for Facebook when they were young teens being 100% higher than those who joined FB as young adults
- We also discussed various hypotheses for the results we see. See slides for details

https://fb.workplace.com/groups/104473690195205/permalink/243424269633479/

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Tennessee v. Meta
Case No. 23-1364-IV
PX-00947

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- Next steps:
  - Check # of people in each cohort
  - See if we can do the same thing for Instagram
  - Get descriptive statistics for each cohort

LIFETIME VALUE

- The LTV work plugs in retention figures from the retention work above
- Because the difference in retention for people who join as teens is so much greater than those who join later in life, preliminary results suggest that LTV for people who join FB as teens is significantly higher
- Next steps
  - Refine model
  - Connect with finance to validate

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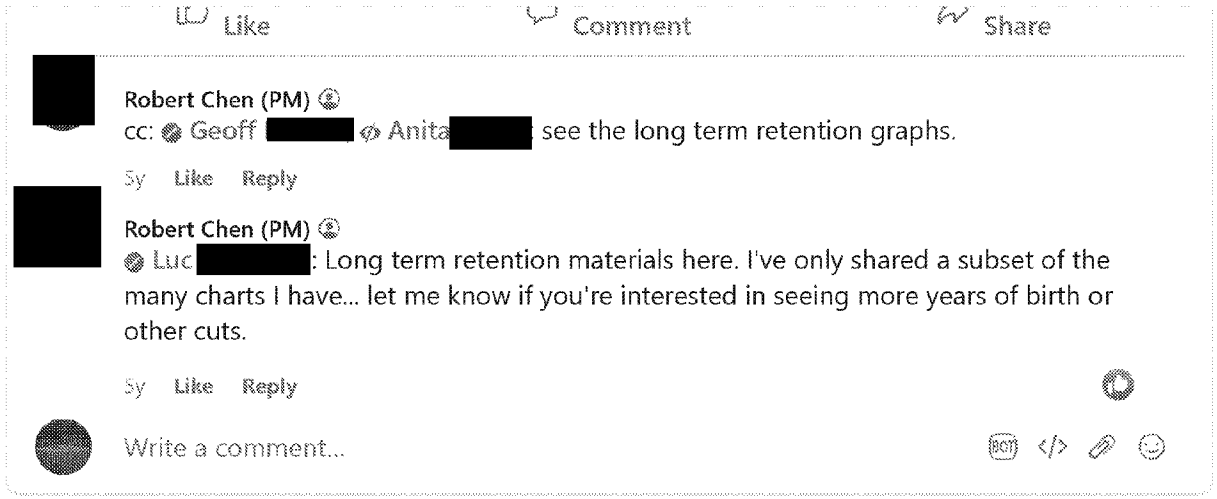
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Market Landscape Review

August 9, 2018

Rob Chen

MARKET STRATEGY

fburl.com/ms



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Agenda

- Snapchat Update
- Long-term Retention Initial Findings
- Lifetime Value Framing

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Snapchat Update

(Stee: Workplace Post)

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Long-term Retention Initial Findings

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What is "long-term retention" and why do we care?

1. Long-term Retention tells us how active people are on Facebook over very long time periods (e.g., years)

2. We care because it:
   - Advances the "generational" thesis by understanding differences between cohorts
   - Makes the case for why teens are important for Facebook and how important they are relative to other age groups
   - Informs our lifetime value calculation which then in turn informs M&A, partnerships, marketing, and more

Source: Market Strategy Analysis

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Findings thus far (PRELIMINARY)

1. The younger you are when you join Facebook (e.g., for year of birth 1999, if you join when you are 13 compared to 18), the higher your long term retention is

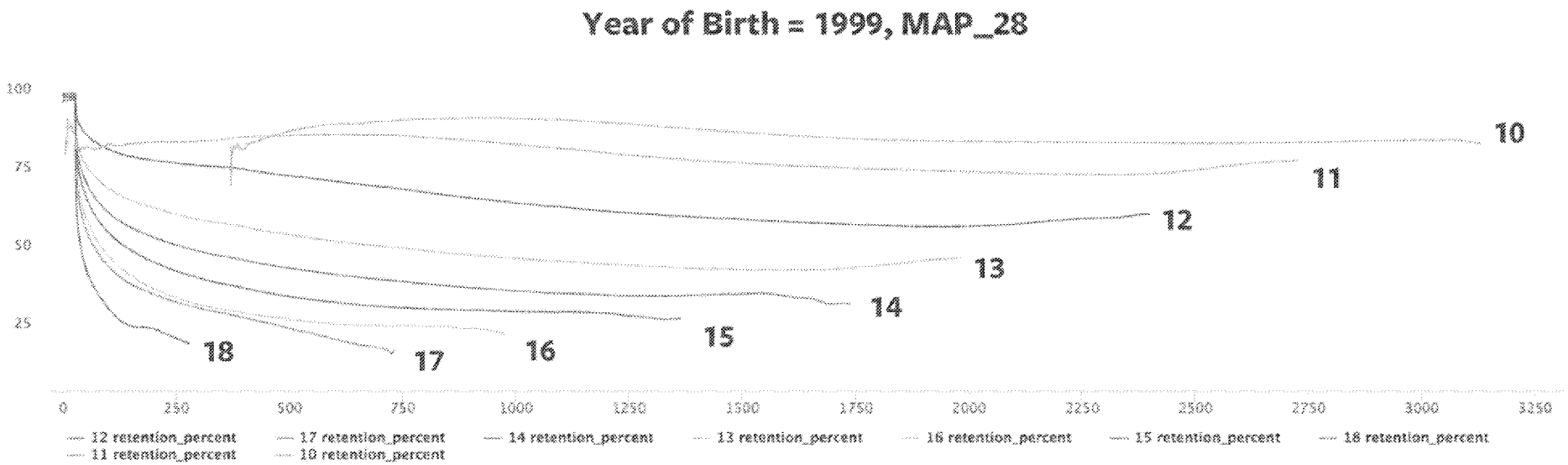
2. The more recently you were born (e.g., year 2001 instead of 1991), the higher your long term retention

3. The earlier you joined Facebook (e.g., 2009 instead of 2015), the higher your long term retention

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1 The younger you are when you join Facebook (e.g., for year of birth 1999, if you join when you are 13 compared to 18), the higher your long term retention is



Source: Market Strategy Analysis

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Hypotheses for why this happens

1. People who join Facebook when they are young are predisposed to using social media

2. People who join Facebook when they are young are more likely to stick with that social media platform

3. People who joined when they were young tended to join altogether with their relevant network

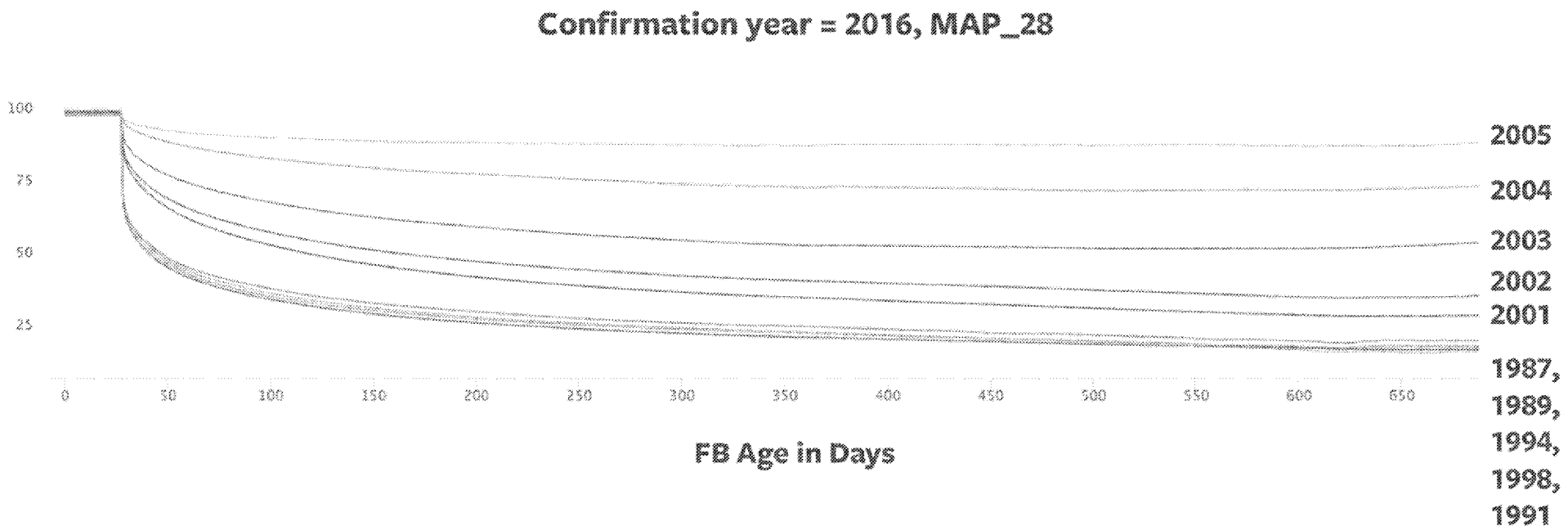
Source: Market Strategy Analysis

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2 The more recently you were born (e.g., year 2001 instead of 1991), the higher your long term retention*



*Pattern changes once you get to people who are not teens

Source: Market Strategy Analysis

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Hypotheses for why this happens

1. People born more recently naturally use technology and social media at higher rates than people born earlier

2. There is a bias in the people who were born recently and joined Facebook frequently

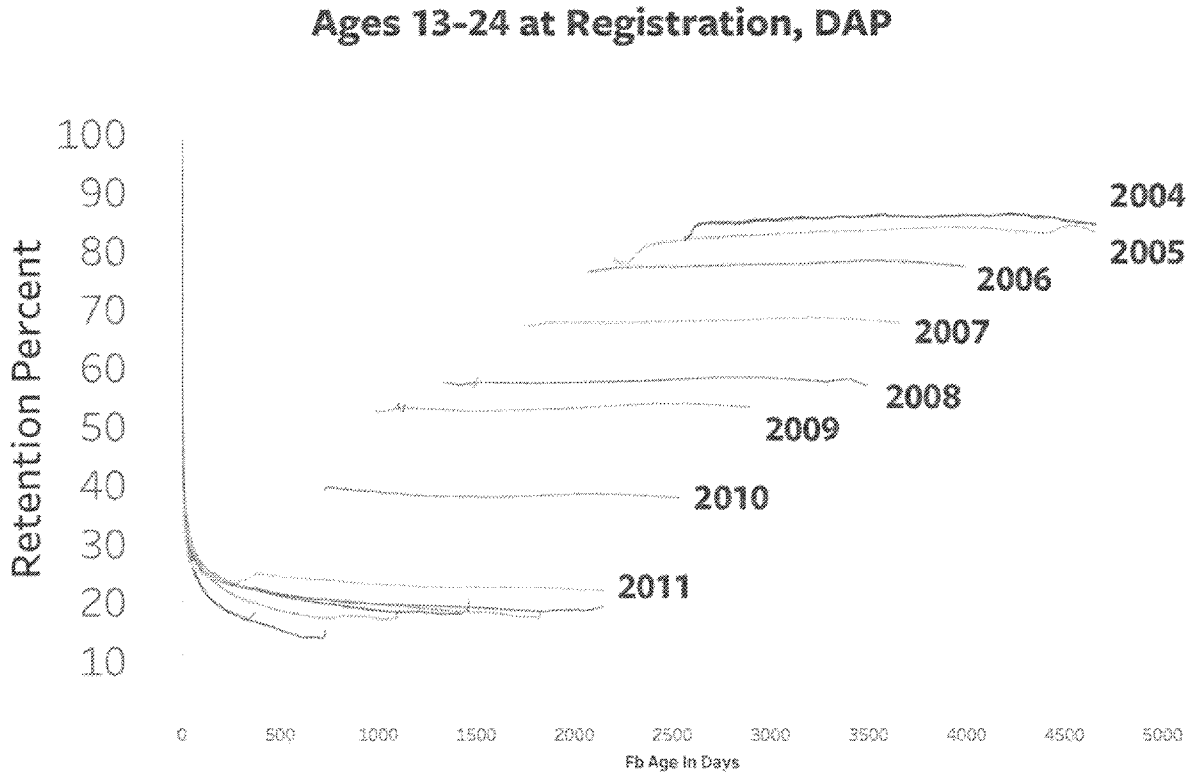
Source: Market Strategy Analysis

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3 The earlier you joined Facebook (e.g., 2009 instead of 2015), the higher your long term retention



Source: Market Strategy Analysis

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Hypotheses for why this happens

1. Earlier on, there were fewer competitors, but now competition is fierce, giving people many other options besides FB and also reducing people's attachment to FB

2. The quality of users joining Facebook now are lower quality than they were before

Source: Market Strategy Analysis

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Lifetime Value

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Lifetime Value Key Variables

1. ARPU by Age

2. Retention by Age an User Joins FB

2. WACC (cost of capital) = 10%

Source: Market Strategy Analysis

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Very Preliminary LTV Findings

- Acquiring people when they are young (e.g., 13) results in the highest lifetime value because their long-term retention is the highest when they are young
  - Retention overpowers the fact that ARPU is lower for young people
  - Retention overpowers the fact that future revenue is discounted
- However, we have a bit of a correlation issue
  - People who join Facebook at a young age are different from people who don't join Facebook at a young age
  - How might we adjust for this?

Source: Market Strategy Analysis

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