

# Can Facebook ever make (real) money?

 By [Thomas Oosthuizen](#)

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With the public listing of Facebook, the debate about the amount of money it makes - and potentially can make - has been opened wide. At stake is whether it is possible to marry the very nature of a social network as non-commercial, personal and intense as Facebook is with making money for investors.



I find some of the viewpoints raised in the media pedestrian. To even raise an issue that there is a finite market reach for Facebook (some saying it may double to around two billion maximum) is misleading. Like any medium, Facebook will have its reach limits.

Growth is hardly the challenge Facebook faces.

The challenge for the monetarisation of Facebook is not how many people it reaches - it is a huge medium by any standards - but how it extracts revenue from its core business: connecting people in an objective, friendly, social, non-threatening and non-commercial environment.

It has to extract revenue without killing the goose that lays the golden eggs. Members will be doubly suspicious of possibly being "conned" by Facebook over the years, in particular as so much of their personal details now exist on the network.

## **Main threat**

The main threat to the Facebook size is competition from newcomers: even though it has such a large following, it has also shown a lot of competitors how to do it. Social media is rapidly fragmenting, which means Facebook will need to retain its lead, maybe easy today, but it will become more difficult.

Like with all first-mover brands, its members are there for Facebook to lose, rather than for competitors to gain.

In terms of its own brand development, Facebook needs to remain innovative. I would do this with new applications that it keeps its members interested in investing more of their time, rather than for them to start supporting an array of new upstart social networks.

The main benefit Facebook has is that it is easier for it to retain users than it is for competitors to have existing Facebook users also join their networks. Whatever we say, most people have time constraints; being a member of too many networks may just not be practical for most people.

### **More addictive**

One must assume, as with all other media, you will have a core of very active users, with scores of lesser users. Regular use is likely to lead to even more regular use. A recent study suggests social media is even more addictive than smoking or drinking (Google Search: "[Social Media, E-Mail More Addictive Than Smoking and Drinking.](#)").

Facebook will need to review how, as a brand, it will manage the amount of time, and the value of that time, spent by members on its network. Having the most active members spend more time and increasing the usage by others gradually are key focus areas for any brand leader. As a large brand, Facebook will have a greater percentage of active users spending more time on it than any other network will have.

There is a role for Facebook, purely because of its existing reach. It already is the linchpin for other networks and can increasingly be that: this also holds a monetary value.

So how can Facebook make more money?

### **Invert the questions**

Strategically, I think we need to invert the questions from the one's most commentators in the last week asked.

To simply use ads similarly to the way Google does it is not how Facebook should make its money. Google is a search engine, and advertising has a natural place in that as people are looking at options.

Facebook needs to decide how it can leverage relationships between people in a non-threatening, non-invasive, sincere and honest way to also sustain its business. It is important to anyone using Facebook that it is able to continue. For that, it requires revenue. To sustain that, it also requires investors to believe it is a good investment, even though the kind of investor Facebook attracts may not only have monetary interests in it (or so we hope).

### **Thought starters**

Let me give you some thought starters of where I think Facebook can start looking at to increase its revenue.

- Gaming such as Farmville by Zenga. Apple applications opened up a massive source of revenue for Apple and for developers - and in the process, enabled increased reach for Apple devices. The nature of games and applications are also that there is almost no limit to the growth opportunities in these areas, even for niche applications and games. This can straddle gaming, education, information, entertainment, financial and lifestyle management - and many others.
- Why can Facebook not be a "live" university class that overcomes many of the problems experienced by online education? These opportunities are all driven by legitimate needs members have. The social network can be a catalyst for these applications. Ultimately, Facebook is about "bettering" lives.
- As part of an artificial intelligent search engine. How can any searches be made more relevant than with the backend information Facebook has about a person? It simply has to be the most efficient and customised one can get. This is an era where many new business developments are happening already. It is very difficult to conceive of any other social media - or even internet brand - to do this as well.
- Leveraging relationships between people themselves to establish brand - or issue - in communities. People naturally

want to know more about some highly involving brands such as Apple, Harley Davidson, etc. They straddle people and brands. The obvious communities are support groups for diseases, but these can extend into many areas that happen in real life. There are some of these already, but Facebook can increase its use by enabling them better (ie getting experts to give input into issues, offering advisory services where legally feasible, offering courses and webinars on certain topics, enabling Skype conferences and many others). A friend of mine has built-up large Facebook communities based upon shared interests. Added to this can be the utility value of information/advice.

- As information aggregator of important content for the user, based upon the profile of the user. Here Facebook can collaborate with other media to create content that is relevant - most media struggle with how they will make money online. Facebook enables totally customised content. It can work with others to push this content in very particular ways to groups of users or individuals. Apple has enabled music distributors, so there are many such opportunities to work with content owners.
- It does enable the ultimate retail deals. If users can "click on a button" that will leverage the knowledge Facebook has of them to put together customised travel packages, reading lists, educational suggestions, career opportunities etc, there will be a need for that. You do not have to do it; some may want to do it.

### **Forcing us to look differently**

The above are just pointers of where I would start looking for revenue in relevant ways: I believe social media is forcing us to look at monetarisation differently. To enable that, Facebook needs to retain its vision in the forefront: it is not a medium; it is a medium that enables relationships on a global and community scale.

Thinking "corporate" about monetarisation is wrong for Facebook, yet that is likely what potential investors want it to do. In business-to-business, much is never hard-sell; sales happen because people trust people.

Obvious selling is the last thing Facebook should ever do: it will be wrong for the brand and for the sponsor.

## **ABOUT THOMAS OOSTHUIZEN**

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