

The Changing Face of the Product Marketing Model: Facebook's Effect on New Applications

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Abstract. The creation of the Facebook Developer's Platform has created an unprecedented ability for developers to connect web applications with social relationships. However, due to Facebook users' willingness to jump from application to application and the difficulty of retaining users, deep, useful apps are typically unsuccessful. Instead, simpler, easier-to-develop apps gain can gain rapid popularity and use the inherent virality of Facebook to increase distribution and invite revenue without the need for a deep user experience. This paper examines the differences between Facebook and non-Facebook applications and explains the new theoretical framework that accompanies the social graph.

I Introduction

The incredible popularity of the social network Facebook since the creation of Facebook's Development Platform demonstrates the power of the people of the Web. Facebook now allows individual members to extend their website without bounds, allowing the company to create a more encompassing integration within Facebook users' lives with a minimal investment from Facebook itself. Essentially, Facebook is letting users do the company's job.

The promise of an application development platform directly connected to the social graph could eventually lead to a new age of the Web, one in which the Internet is directly integrated into the real-world relationships of users. However, this dream has not yet been realized. Currently popular apps on Facebook, such as Tattoos or Superpoke, are not all that useful from a non-Facebook standpoint. They are simple, fun, and easy to use. In fact, while brainstorming ideas for an app to develop, my teammate drew a graph that made us laugh out loud. In this graph, he showed that the flashier and less useful an application was, the more successful it would be.

As I thought about the graph more, I realized that the significant factor wasn't so much the usefulness of the application as it was the complexity. I reworked the graph to the one pictured in Figure 1.

For the most part, the most popular apps are the ones that lack complexity.¹ The apps that succeed, on average, are designed to play upon the seeming lack of attention span that Facebook users tend to exhibit.² The funny thing is that the lack

¹ Based on data from <http://facebook.com/apps/>

² Although actual data on the time of each users' session is unavailable, the top five apps as of the time of this writing had an average of only 3.2% users active in the last day. (data from <http://facebook.com/apps/>) The other users did not use the application at all.

of attention is especially beneficial to developers because it makes popular apps also the easiest to develop.

2 The Difference Between Facebook and Non-Facebook Applications

In general, web developers are taught to develop an excellent application that drives user engagement. Once you have engaged users, try to develop your user base into sneezers: users who will use word-of-mouth advertising to market for you. Facebook shifts this system in a major way. Suddenly, the best apps are developed so that virality and referral are paramount, while engagement and user experience can be relegated to a secondary concern.

What causes this shift? Several factors contribute to the differing requirements for a successful, popular application. These factors are compared in Table 1.

Table 1 - Differences between Facebook and non-Facebook applications.

	Non-Facebook	Facebook
Account Creation	Getting a visitor to create an account for a new application is difficult.	All users are already Facebook members, so they do not need to create another account.
Process of Referral	Process of referral isn't standardized, and users often feel that sharing an application via email is annoying.	The referral process is built directly into all applications in a standardized way. Because sharing is so common, users don't feel as if they are bothering their friends.
Difficulty of acquiring users	Users are fickle and will not even trial run your software unless it seems to offer something exciting.	People add apps without even thinking, and often won't delete them for long periods of time because the process is so easy and standardized.

What is the common theme in this table? Standardization. Because Facebook has developed a standardized, easy to use interface, people do not have a problem sending invitations. There is no question about how to invite friends because Facebook allows only one method. With non-Facebook apps, there are too many

options such as email, word-of mouth, IM, forms, etc., and the paradox of choice³ holds true: with so many choices about how they could invite friends, they fail to do so at all.

3 Effects Upon the Marketing Model

The effects of standardization, ease of joining, and willingness to refer others drastically changes the distribution model of Facebook applications in comparison to other web applications. Dave McClure's AARRR⁴ model (Figure 2) describes the typical process of marketing in a simple format. Essentially, the diagram above means that acquired users lead to happy, activated users, who are more likely to continue using the program. These retained users will be more activated to use the application, and more likely to refer others. Referral leads to more users. After following all these steps, revenue is possible. However, Facebook applications have rewritten the rules. Surprisingly, applications no longer need to have activated users before referral and revenue can occur. Why? Because, in many cases, users will refer others without even using the application! Just look at Send Hotness, which requires users to invite 15 friends before even allowing them to use the application. While this method is absolutely at odds with the idea of a normal application, this formula works well on Facebook.

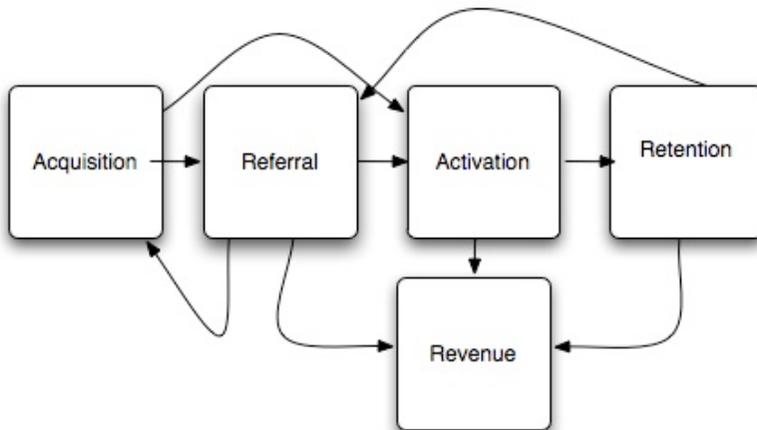


Figure 2 - The original AARRR model for non-Facebook applications

³ The paradox of choice states, "more choices may lead to a poorer decision or a failure to make a decision at all," More information at <http://www.ted.com/index.php/talks/view/id/93>

⁴ Information about the meaning of each of the elements of AARRR can be found at <http://500hats.typepad.com/500blogs/2007/06/internet-market.html>

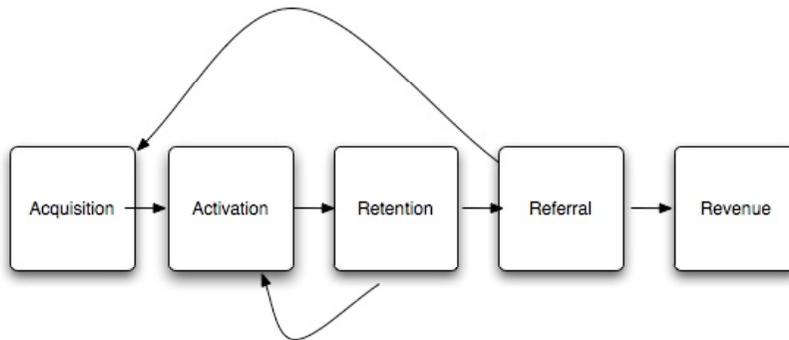


Figure 3 - The modified Facebook marketing model

Due to these changes, the marketing model has shifted. It now looks like the theoretical framework pictured in Figure 3.

These changes are significant. Acquired users, who are simply Facebook users who add an application, now refer others without even seeing what the application does! Referrals lead to more acquired users and more activated users. Activated users become retained users. The shift in the referral process makes intense virality possible, causing the astronomical numbers that are evident in applications such as Send Hotness or Hugs. Because revenue comes from CPMs instead of through engaged users, even the referral process can lead to revenue.

The net effect of the standardization of Facebook applications is that both growth and revenue is possible at a speed never before seen on the Internet. Easy applications are the most successful, so a single-person development team can produce profitable apps.

4 Personal Results

I have worked on two applications, one which followed the original model of a deep, useful application and another which attempted to take advantage of Facebook users' willingness to join and refer others. The first application, entitled Colleges: The Numbers, allowed high school students to compare their test scores with others applying to similar colleges to determine their chances of getting into a university. On this project, we teamed up with Kaplan Inc, a multi-billion dollar company who helped us market. Our results were less than stellar.



Figure 4 - The results of a deep application

Figure 4 above shows the results of the first month of release. The two major peaks coincide with mass emails by Kaplan to thousands of their students. As you can see, email marketing didn't work much, with a rate of 90 visitors coming from 5,000 emails (1.18% click-through rate). Overall, the application could not grow. It did bring about user engagement of 9:46 minutes per user on this application, which, according to a spokesman from Facebook is over half the average user's daily use of 19 minutes.⁵

With these results in mind, I developed a simpler application called HotnessRank.⁶ This application simply required a new user to invite 15 friends before viewing their "Rank," an arbitrary score calculated from the number of users they invited plus the number of users they invited. Although analytics for the the app have only been available for a few days, the application has attracted over 1700 users, of which over 90% continued to keep the application without removing it from their profile. This application took less than a night to develop, but has already delivered a small amount of revenue through ads. Oppositely, College: The Numbers took several weeks and multiple developers to create and has produced nothing in revenue.

5 Conclusion

The Facebook development platform has created a new experience for developers and users alike. Users' lack of attention-span and the ease of adding applications has caused a significant shift in the marketing model of applications. For the first time, single-person development teams can create applications that appeal to hundreds of thousands of users, and can achieve exponential growth in a matter of days. The underlying cause of this is the standardization of the Facebook adding and inviting processes. Thanks to the website's extendability, developers can use Facebook's manifestation of the social graph to create simple, viral, profitable apps in a way that was impossible in the past.

⁵ <http://www.techcrunch.com/2005/09/07/85-of-college-students-use-facebook/>

⁶ http://apps.facebook.com/hotness_rank/