
Contradictions about Facebook

By Miklos Sarvary

Lots of data and commentary came out about Facebook these past few days. One set concerns the membership base. Here, the worry is about peaking membership numbers and an aging user base. Not only seem older users be more interested in Facebook than before but younger ones appear to disengage with it.

Other sources confirm the “youth problem” (see infographics on the right) but argue that members have simply shifted to mobile not well captured by current statistics (note also that younger users often do not have smartphones in equal numbers to adults).

Another set of news concerns advertising revenues. Here, the positive news is that revenues have increased 30+% compared to the first quarter last year. There have been a lot of new advertising products introduced and mobile advertising is substantially up. The more pessimistic view is that despite these changes, profits remained flat.

To me the real worry is that there has not been any game-changing move from Facebook in the past two years. Sure, there is a lot of incremental innovation: the move to mobile, some new products, etc. But the user experience is essentially the same for years now (mobile or not, in fact with more ads, somewhat less attractive). The revenue model is also identical even if somewhat better executed. But the \$5-6 billion revenue simply does not justify the valuation.

Find article at

<https://knowledge.insead.edu/marketing/contradictions-about-facebook>

About the author(s)

Miklos Sarvary Miklos is a Carson Family Professor of Business at Columbia Business School and a former Dean of Executive Education at INSEAD.