

# The Daily: Facebook turns 20—The highs and lows of the social giant and what the next 10 years hold

Audio



On today's podcast episode, we discuss Facebook turning 20 years old. We look back at how Facebook got started, its most significant highs and lows over the years, and predict what the social media giant will look like at age 30. Tune in to the discussion with our analysts Jasmine Enberg and Minda Smiley.

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# BEHIND THE NUMBERS

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# THE DAILY

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Episode Transcript:

Marcus Johnson:

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Minda Smiley:

Facebook has an age problem. And of course, they're doing a lot to address that, but I think that was ... Yeah. Again, that was a big turning point for them in my mind because it symbolized this idea that they're not just going to keep growing and growing and growing. There is a ceiling to all this and they're going to have to eventually pivot in some capacity.

Marcus Johnson:

Hey, gang. It's Thursday, February 8th. Minda, Jasmine, and listeners, welcome to the Behind the Numbers Daily, an eMarketer podcast made possible by StackAdapt. I'm Marcus. Today I'm joined by two folks who cover social media for us. We start with our principal analyst who's based in California. It's Jasmine Enberg.

Jasmine Enberg:

Hey, Marcus. Hey, everyone.

Marcus Johnson:

Hello. And we're also joined by one of our senior analysts based in New York. It's Minda Smiley.

Minda Smiley:

Hello.

Marcus Johnson:

Hello there. Today's fact, the Queen Alexandra's birdwing, I think that's what it's called, is the biggest butterfly in the world. So it's found in ... This thing is terrifying. Found in the forests of Papua New Guinea's Oro province, it has a wingspan, get ready, of 12 inches. Also known as 31 centimeters for our European friends. At what point/size does a butterfly stop being cute and turns into borderline horrifying?

Minda Smiley:

Yeah. That's getting into Stranger Things territory for me a little.

Marcus Johnson:

It is huge. It's like this. It's like your hands together.

Minda Smiley:

Yeah.

Marcus Johnson:

Maybe it's bigger than your hands together. I don't know.

Jasmine Enberg:

I'm about to-

Marcus Johnson:

It's too big.

Jasmine Enberg:

Google search an image of this.

Marcus Johnson:

Don't ... Oh, yeah. Don't do that. I went down that road. That's rough. They're terrifying. I think once it gets bigger than half an inch, I don't need to be near them.

Jasmine Enberg:

Yeah. Agreed.

Marcus Johnson:

I don't care how pretty it looks. Yeah. But I was thinking about this, moths. They get a bit of a bad rap, don't they? They're basically ... They're like the nocturnal cousin of the butterfly. But we hate moths.

Jasmine Enberg:

Are they nocturnal?

Marcus Johnson:

Yeah. I think so. I might have made that up. I'm pretty sure they are.

Jasmine Enberg:

They are?

Minda Smiley:

Yeah. I think they are.

Jasmine Enberg:

I just found a picture of this butterfly. It's terrifying but pretty.

Marcus Johnson:

It is pretty from a distance. On today's real topic, Facebook just turned 20. What will adulthood look like for the social giant? Facebook just celebrated its 20th birthday on February 4th. Happy birthday to Facebook. Jasmine, you wrote a bit about this and you've covered social media for us for a long time. And you were saying even you remember the beginning of Facebook personally and its emergence as a business. What comes to mind when you think back on Facebook being born?

Jasmine Enberg:

So Facebook launched in 2004 and it was limited to college students. And I was in high school at the time. And I distinctly remember getting my college email address and running up to my high school's Mac lab, if you remember those, and signing up for a Facebook account. And it is lodged in my memory, because it was revolutionary in a way and also, it felt like you were becoming part of this smaller, more exclusive community where your parents and your teachers and grandparents weren't. But at the same time, you also felt like you were part of a larger community that really spanned across the US. At that point, I believe it was still limited to US colleges. And Facebook really transformed the way that college students interacted with each other. And then, of course, it opened up to the public in 2006 and really started this new wave of social networking and set the stage for what today we consider to be social media.

Marcus Johnson:

Mm-hmm. Minda, what do you think about when you think about Facebook in the beginning?

Minda Smiley:

Yeah. I have a similar story. I think I must've been ... '04, I was in middle school when it came out and my parents were a little on the stricter side. So I was never allowed to have Myspace. They wouldn't let me have Facebook when it first came out even though all my friends were getting it. But then, they finally caved I think, by the time I was a junior or senior in high school. And so I agree with Jasmine. It felt like this place where my parents weren't on it yet. Now, they both are. But at the time, my parents were not on Facebook. And yeah, it felt cool, which is not a word you really hear people use to describe it anymore.

Marcus Johnson:

No.

Jasmine Enberg:

No.

Marcus Johnson:

It's [inaudible 00:04:54] Facebook. That's what happens when you grow up, you stop being cool real quick. So that's the beginning of Facebook. I wanted to throw out a few numbers here just to outline or highlight its significance today in just 20 years. I've got three numbers for you. The first is Facebook now accounts for one in every ten digital ad dollars in America. To Facebook, not its parent company Meta. To Facebook. And four in every ten social network ad dollars go to Facebook. Most of the rest go to Instagram, its sister company.

Two, over half of everyone in America uses Facebook, spending close to half an hour per day on the platform. And three, over two billion people on the planet use Facebook each month. That's a quarter of humanity and 45% of everyone who uses the internet. I don't know anyone who saw that coming when they first started out. But there's something in between everyone's first experience with Facebook when they first learned about it, when they first signed up, when they first started adding their friends or getting ready to ... Later because the wall was later. You couldn't even post to the wall quite yet. But liking things, all of that stuff.

Jasmine Enberg:

You could poke. Don't get the poke.

Marcus Johnson:

You could. Good God. Yeah, you could. Why Facebook? Why? So from the beginning to the world that we live in now where I just mentioned Facebook's dominance of the social space, and there's a lot of stuff that happened in between. We wanted to quickly go over some of the highs and the lows from Facebook's first 20 years. So Jasmine, I'll start with you. We'll go through ... Let's go through the highs first. So give me one high from the last 20 years from Facebook.

Jasmine Enberg:

Sure. I also want to say I love that you put it into that context because it is really hard to imagine that from the beginnings of Facebook that it's become this powerful business that it is today. And so the first high that I wanted to point out was in 2008 when Facebook hired Sheryl Sandberg as COO, because she of course played a pivotal role in making Facebook, now Meta, into the powerhouse business that it is. In 2008, Facebook had about \$267 million in ad revenues. And in 2022 when she left the company, it was about 114 billion. Now, her legacy of course, is complicated. Facebook went through many scandals during those years. But undeniably, she played a huge and important role in making Facebook what it is today.

Marcus Johnson:

So for people listening, I asked Minda and Jasmine to separately give me their three highs and three lows. So they don't know what each other's going to say. And as a result of that, it's a sheer coincidence that Minda put hiring Sheryl Sandberg in 2008 as her first high. Right, Minda?

Minda Smiley:

Yeah. Great minds think alike.

Marcus Johnson:

Yep. All right, Minda. Your second high for Facebook.

Minda Smiley:

Yes. My second high was acquiring Instagram in 2012. I think that at the time Instagram was a small startup business and now it makes up about a third of Meta's overall revenues, which is pretty incredible. And I think the big thing about Instagram is that's where the younger users are across Meta. That's when you think of the younger users, you think of the people on

Instagram. And that's where the cultural clout is. That's where meme culture is. When you think of the things that I think that are going to help carry Meta into the future, a lot of it lies within Instagram. Not its core Facebook app.

Marcus Johnson:

Yeah. Jasmine, similar number two for you as well, with some extra stuff thrown in.

Jasmine Enberg:

With some extra stuff thrown in. I picked pretty much the whole year, 2012. It was a really big-

Marcus Johnson:

Yeah, she cheated.

Jasmine Enberg:

Yeah, it was a big year for Facebook.

Marcus Johnson:

It was.

Jasmine Enberg:

They reached one billion users, they IPO'd, they purchased Instagram. And I agree with everything Minda just said about why that was important. And also, Facebook successfully pivoted from desktop to mobile, really helping it catch up to the way that online behavior was changing.

Marcus Johnson:

Jasmine, your third high for Facebook?

Jasmine Enberg:

Just last week actually, 2023 earnings. Meta proved that its year of efficiency really paid off, had blockbuster earnings, really beat expectations across the board. And most importantly, in its core line of business, which is still advertising no matter how much it talks about the Metaverse and AI. And we know that it was a very challenging 2022 across the board. And I

think it really is a testament to Meta's execution power that it was able to turn its business back around to growth so quickly.

Marcus Johnson:

So tune in Monday the 12th, me, Jasmine and Max Wellens, and we'll be talking about Meta and their earnings in more detail. Minda, you do have a different number three though.

Minda Smiley:

So my third high was when they copied stories from Snapchat in 2016. That was a really big moment for a few reasons. One, if you just look at the numbers, Instagram stories will make up nearly 10% of Meta's overall ad revenue this year according to our numbers. And that's pretty incredible. Just for one feature on one app making up 10% of the company's revenue. I think that is something that should be noted. Also, we recently did some research where we found that Instagram stories is actually Gen Z's go-to for stories. So it's not Snapchat, which invented stories. It's not TikTok, which has stories, although it's a much younger version. But stories is still a really big feature for Instagram and it's one that is attracting younger users.

So I think that's a really big deal as again, as I said earlier, as they try to figure out how to stay relevant with the next generation. And I think maybe the bigger picture here is that when they copied Snapchat, that was a big story at the time. I think people were surprised that they were willing to do that. But it paved the way for a lot of what they've done with other features. They made Reels based off of TikTok, Threads based off of Twitter. So to me, it provided this almost roadmap for how they can go about copying features, but then iterating and making them their own at the same time.

Marcus Johnson:

Yeah, it's funny because I feel like Apple, they get celebrated for copying ideas and making them better and Facebook gets destroyed for it. But I had two others. One was ... This wasn't really a high maybe for the company, but I thought a significant moment for [inaudible 00:11:18] society might be a bit generous. But February 2009, Facebook introduced the like button and this idea of measurable interactions I thought was quite a significant moment, because now we have a lot of other ways to measure interaction from that. It's changed the world in I think a number of ways.

And then two, the summer of 2021. So Facebook cementing itself as one of the major companies in the world. And this is before it became Meta. It joined the hyper exclusive trillion dollar market cap club, Microsoft, Apple, Saudi Oil Group, Aramco, Alphabet, Amazon and Meta, and then AI chip maker Nvidia as well. So I think that was quite a significant moment for the company. Then the stock then dropped and it was back up to 1.2 trillion, so it's still in that club. I thought that was quite a significant moment. Let's move to the lows. Minda, I'll start with you for your first low.

Minda Smiley:

Yes. My first low is Cambridge Analytica scandal. I think to me that really was a turning point for the company. It wasn't ... Just to give you people a quick refresh in case they forget what happened, I believe what happened at the time was in 2018, the New York Times and The Guardian reported that the Cambridge Analytica, a firm that had ties to the Trump campaign, had harvested data from millions of Facebook users without their knowledge and then essentially used that to inform advertising campaigns. If I remember correctly, that's basically what went down.

And that's when we saw Mark Zuckerberg first testify in front of Congress, which was a big moment for the company. And I think it certainly wasn't the first time the company found itself in a scandal, but this one really I felt like got the most attention from the public and really just changed the company's perception. I don't really think from a usage standpoint or a business standpoint, it ultimately was impacted that much. We can tell from their earnings earlier this year, that its company is still doing incredibly well. But I do think that was the point where people started to really ... Again, going back to what I was saying earlier, it was a shift from this platform being saying cool and innovative to, "Oh, this platform maybe isn't trustworthy."

Marcus Johnson:

Yeah, you mentioned bad things happening because of this platform. I noted, yeah, this was 2016 Facebook disclosing that accounts with suspected ties to Russia bought Facebook ads ahead of the 2016 election, which is the first time the company admitted that Russian actors could have used the platform to influence the presidential campaign or election. And this did seem like quite a turning point in terms of realizing the power of these platforms' ability to do bad or for people to use them to do bad things. Jasmine, you also had Cambridge Analytica.

Jasmine Enberg:

It was on my list. But the other one on my list and the first one on my list was the rebrand to Meta in 2021.

Marcus Johnson:

Yeah, it's a good low.

Jasmine Enberg:

Yeah, it's because it was both ill timed and ill-defined in my mind. I am still somewhat of a Metaverse skeptic. I find it hard to bet against Mark Zuckerberg. He's transformed the way that we communicated once. I'm not saying that he couldn't do it again. I just think that the timing was not right. And a lot of those factors were of course out of Facebook, now Meta's control. But there are also just so many hurdles to making the Metaverse a possibility and it really still has its work cut out for it to prove that this vision ever will become a reality.

Marcus Johnson:

Yeah. Minda, another low from you?

Minda Smiley:

In Q4 of 2021, Facebook lost users for the first time when they were reporting their daily ... I think it was our daily active user figure. And of course that was just one quarter, one moment in time. But I think it really ... Again, it was a turning point for the company. It was the first time they saw that there is a limit to this growth. And like I was saying earlier as well, they are struggling to attract younger users, which that is of course where Instagram comes in. But this has been a story we've been hearing for the past few years now, is that Facebook has an age problem and it symbolizes this idea that they're not just going to keep growing and growing and growing. There is a ceiling to all this, and they're going to have to eventually pivot in some capacity.

Marcus Johnson:

Right. All right, Minda, your final low for Facebook in the last 20 years.

Minda Smiley:

My final low was when the Wall Street Journal published the Facebook files in late 2021. A lot came from that, and I won't rehash all of that here. But I think one of the biggest headlines to

come out of that investigative report was that a headline that said, "Facebook knows Instagram is toxic for many teen girls, company documents show." So they basically were reporting that the company knows that its platforms are harmful to younger users. And I think I chose that one just because again, we're seeing it ... Even just earlier this year, we saw that Mark Zuckerberg testified in Congress along with other tech CEOs about child safety. We're seeing laws like the Kids Online Safety Act become introduced and debated in Congress. This idea of child safety has only really grown and the platforms are really being asked to really do something about it.

Marcus Johnson:

Jasmine, your final low?

Jasmine Enberg:

My final low was actually the congressional testimony last week on child safety. So very much in line with what Minda was talking about. So it was Mark Zuckerberg's eighth time testifying in Congress, and it was a really heated testimony. There was a lot of the same showmanship and theatrics that we've come to expect. But also, it really was a sign when Mark Zuckerberg had to turn around and apologize to the parents and families of some of these victims, that this is an issue that lawmakers are at least starting to take seriously. It remains to be seen how much, if anything, will really come of this. But it's certainly something that going to be a big challenge for the company in 2024 and beyond.

Marcus Johnson:

Let's spend the last few minutes here looking ahead to the next 10 years. Minda, I'll start with you. What do you think Facebook/Meta, which is now called, will look like/prioritize over the next 10 years? So basically, by the time it's 30.

Minda Smiley:

I actually do not think it will look that different 10 years from now, which might be a bit of a hot take. But here's my thinking. 10 years really isn't that long. For instance, I know that people talk about their user base skewing a bit older. But say a 47-year-old woman who posts and scrolls on Facebook every day. Chances are when she's 57, she'll be doing the same thing. It's not like ... There's still a lot of room for its current users to keep using the platform 10 years from now, especially if nothing drastically changes. And at this point, I don't really know

if Meta will change a ton about Facebook because of that. They have this core product that clearly from its earnings is working. They're investing a lot in the Metaverse, in AI, in other areas.

And that could really ultimately change the broader company. But when we're talking about just Facebook, just the app itself, I could potentially maybe see them just leaving it alone, tweaking it here and there. But not really trying to make it this young app. And really just seeing how it can play out for the foreseeable future while they focus on their other endeavors.

Marcus Johnson:

It's quite the cash cow. So yeah, it does make sense. You mentioned clearly from its earnings, it's working. One of the points I noted, it can't stop making money if it tried to. Facebook will make next year over a hundred billion dollars from ads worldwide. That's double 2019's revenue pot. So yeah, if it's not broke, don't fix it. Why try to tinker with it for no reason? Jasmine, Facebook in 10 more years, what do you think?

Jasmine Enberg:

Well, I was actually going to say the same thing that you just did, Marcus.

Marcus Johnson:

Oh, really?

Jasmine Enberg:

Yeah. It's making-

Marcus Johnson:

Sorry.

Jasmine Enberg:

Most of the money for Meta, so why change something that isn't broken? The big wrench that I will throw into this, however, is regulation. The digital landscape is different, and we're seeing more regulation pop up, not only here in the US but in the EU. And that could have a serious impact on how Facebook monetizes, and it may be forced to change. But unless that happens,

I agree with Minda, that I don't see any reason why Facebook would look dramatically different 10 years from now.

Marcus Johnson:

Yeah. One number though that there is worth keeping an eye on, because this number is going in the wrong direction, is users as a share of the population. And so since 2020, the share of Americans using Facebook has been falling. Not by much, but it is going down. 54% to 52% today. 51% in a few years time. So if you extrapolate that trend line out, assuming nothing changes, it's going to continue to go down. And then also since 2015, the share of social network using Americans on Facebook has been falling as well. 90% then to 77 today, to 74 in a few years time. So you could still see lots of people using these products by then, but those shares are going in the wrong direction. Final thing for me, I do wonder if we're going to reckon with this cognitive dissonance for Facebook and a lot of social platforms. And by that, I mean on the one hand, you have people saying that actually they don't love social media even though they do keep using it.

In light of Facebook's 20th birthday, French newspaper, The Figaro, posted a poll on its website asking readers, "Has social networks contributed to progress for society?" And within a few days, 86% of people said no, even though a lot of people use Facebook. And because on the other hand, six out of the 10 most downloaded mobile apps last year belonged to Meta, which is Facebook's holding company. So I wonder if at any point that will start to shift.

Jasmine Enberg:

What consumers say though is not always aligned with how they behave.

Marcus Johnson:

Rarely.

Jasmine Enberg:

And yeah, rarely. And I think Facebook is a really, really good example of that. And everybody's always quick to blame social media for society's problems. And Facebook in particular has become a scapegoat. And I'm not saying it doesn't have problems. It does. But it's not the root cause for a lot of the issues that we have within society.

Marcus Johnson:

Yeah. A great note to end on. That's all we have time for. Thank you so much to my guests.  
Thank you to Jasmine.

Jasmine Enberg:

Thanks for having me.

Marcus Johnson:

Thank you to Minda.

Minda Smiley:

Thank you.

Marcus Johnson:

And thank you to Victoria who edits the show, James who copy edits it, Stuart who runs the team, Sophie who does our social media. And thanks to everyone for listening in. We hope to see you tomorrow for the Behind The Numbers weekly listen, an eMarketer podcast made possible by Stackadapt.