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Facebook Graph Search POV

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Introduction

On January 15, 2013 Facebook introduced the world to Graph Search. Released in beta, Graph Search joins News Feed and Timeline as Facebook's third foundational pillar, allowing users to search their social graphs with queries such as:

- Friends who like Florence + the Machine
- National Parks liked by people who speak Russian and live in Burlington, VT
- Photos taken before 2005

Search results draw from any information a Page, place, group, app, game, or person has shared with connections or the public. The first version of Graph Search focused on people, photos (excluding Instagram), places, and interests, but will expand to include data from posts, status updates, and third-party apps. Search results are unique to each person as no two social graphs are the same. Also, results are based not just on relationships, but rather *strength* of the relationships.

A search for "People who like the things I like" might yield a set of results that look something like the image below. Since that particular search results in over 1,000 people it might be worth filtering. Using the column on the right, users can filter by categories like gender, relationship, current city, and employer.



Figure 1 Sample Graph Search results for People who like the things I like

Results are not just unique based on social graphs, they are also dependent on what Facebook

determines to be the category of search. If Facebook thinks it's a recruiting search the results will contain snippets of people's work history. If Facebook thinks it's a dating search the results will contain fields like relationship status, age, and location.

As thorough as Graph Search has been, recent updates made by Facebook provide an even deeper search into activity on the social network. Results will now include posts, status updates, photo captions, check-ins and comments. Now users will be able to search for topics, search for what friends are posting about a topic, search posts around a city, search based on a place, search posts within a time frame, etc. You can even pull up all posts you yourself have commented on or things you posted within a stated time frame.

You might remember that in June 2013, Facebook rolled out the use of hashtags on the platform. That, combined with the capabilities of Graph Search, edge Facebook a bit closer to Twitter's forte of following topics, shows or events in real time. This becomes especially important related to Facebook's drive for more "second screen" time during TV viewing.

Social Graph could help Facebook get back on track with revenue expectations and expand its active user base, but first it needs to accomplish three objectives:

- Nail monetization
- Prove value to businesses
- Convince users that the benefits of the product outweigh the risks of giving Facebook additional personal information and relaxing their privacy settings

Why Now?

Facebook's worst nightmare is a static social graph; for there to be revenue there must be growth.

But the growth rate in the average number of Facebook friends has slowed, and active users in some parts of the world is on the decline. According to Social Bakers data, users in the UK dropped by 600K in December 2012.

In a Guardian article entitled Graph Search: Zuckerberg hopes Facebook's 'third pillar' will halt user decline, Nate Elliot, a social-media analyst at Forrester Research, is quoted as saying the Graph Search announcement is part of Facebook's ambition to keep users coming back to its site.

"If users aren't adding very many new friends or connections, then their personal network becomes less and less active over time. Terrifyingly for Facebook, that threat is very real. We haven't seen significant growth in the average number of friends per user recently. If Facebook and Bing can bring elements of Graph Search to Facebook's web search tool, then that's great. But it's not the point; the point is to keep Facebook users more active within the site."

Investors want to see more active users spending more time on the site, and Graph Search might be just the product to make that shift transpire. It's no accident that the timing of its release occurred just two weeks prior to Facebook's quarterly earnings announcement.

Monetization

"Before we can start thinking about this as a business in a serious way, we have to continue focusing on building the user experience."

— **Mark Zuckerberg,** Facebook

While Facebook did not announce a monetization plan for Graph Search, there is no doubt in anyone's mind that it is on the near horizon. Some reporters expect it as soon as the back half of Q1. This plan is likely to include:

- A new ad platform that capitalizes on implied purchase intent data (more similar to paid search advertising than display advertising)
- Reframing the way businesses value likes

According to The Guardian, "search makes up the largest portion of digital advertising and spending in the US, up from $15.1B in 2011 to $17.58B in 2012[1]." Three-quarters of that ad spend is currently spent on Google, and Facebook wants more skin in the game.

Up until now, Facebook lacked a major component that enables Google to sell ads: purchase intent. Searches for products typically precede purchases, but just because someone "likes" San Diego doesn't mean they plan on visiting. They might have liked it because they already live there, because the city donated money to Surfrider Foundation with each new like, or even because they had to like the Page to enter a contest. Social Graph is a game changer, giving Facebook access to *implied* purchase intent. When someone in San Francisco uses Graph Search to find museums in San Diego their friends have visited, the implication is that they will be traveling to the beach destination in the near future. Who would want to advertise against that? Airlines that fly SFO to SAN, car rental agencies, restaurants near Balboa Park, surf lesson vendors, San Diego Tourism Authority, and many, many more.

[1] Josh Halliday, "Graph Search: Zuckerberg hopes Facebook's 'third pillar' will halt user decline," The Guardian, 16 Jan. 2013, http://www.guardian.co.uk/technology/2013/jan/15/facebook-graph-search-google-user-decline (accessed 16 Jan 2013).

In his article, Graph Search Ads Could Be A Goldmine For Facebook, Josh Constine of TechCrunch suggests search results for someone looking for restaurants in San Francisco might look like the following:



Figure 2 Sample Graph Search results for Restaurants in San Francisco, California

The restaurant on the top of the list, Bubba Gump Shrimp Co., isn't liked by anyone in the searcher's network. The restaurant paid to appear as a sponsored search result. In the same vein, if someone uses Graph Search to find friends who like rock climbing, Patagonia or REI could pay to appear on top of the organic results.

Now let's talk about the value of a like. There are over 1.3 trillion likes on Facebook[2]. The majority of those likes come from Pages like WalMart, Coca-Cola, and Pringles (26.5M, 57.4M, and 22.1M likes respectively). When businesses first started popping up on Facebook, the platform encouraged them to build up huge fan bases. As a result, they scrambled to get as many fans/likes as possible, which typically meant paying for them. After a certain critical mass of likes, however, many marketers and advertisers came to realize that their social efforts were better spent growing engagement as opposed to buying ads to increase likes.

[2] Jesus Diaz, "Facebook's Crazy Facts and Figures," Gizmodo, 10 Oct. 2012, http://gizmodo.com/5950527/facebook-crazy-statistics (accessed 16 Jan 2013).

This focus on engagement was validated when Facebook adjusted its Edge Rank algorithm to severely throttle a Page's ability to communicate with its fans without paying to promote posts. Why continue to pay for likes when 90% of the people who like a Page don't see its content in the News Feed? Graph Search potentially marks a return to the race for likes because businesses with more likes from a person's social graph will rank higher in Graph Search results. Don't be surprised if Facebook starts aggressively targeting businesses to let them know why once again growing their base of likes is of utmost importance.

Through the creation of an ad platform based on purchase intent and the added value of Page likes, Facebook should have no shortage of revenue once Graph Search is monetized. There are a few additional use cases where Facebook could turn a profit off of this new product, and those are covered under the following section: Business Implications.

Business Implications

The business implications of Graph Search are several. Businesses will need to:

- Re-assess their current strategies around likes, engagement, and check-ins
- Adjust the content on their Page to be more engaging as direct traffic grows
- Think about how to use the product for recruiting and/or consumer insights

In a very real way, businesses on Facebook are about to feel "locked into" advertising in order to stay competitive. This is quite intentional. Businesses will be incentivized to have more likes, higher engagement, and more check-ins than their competition.

Businesses that have been actively using ad products to grow their fan bases are about to be rewarded for their efforts while businesses that have chosen to focus solely on engagement may need to do some catching up. This is not to say that engagement is no longer important. Quite the contrary: Engaging fans remains as important as ever for showing up in News Feed, but it is unclear whether having a highly engaged fan base will benefit businesses when it comes to Graph Search rankings. Facebook has said that results are partially based on the strength of relationships, so it seems entirely possible. There will also be a newfound importance of check-ins, as people looking for places to go will want to see where their friends have been. Businesses may want to consider offering perks such as free beverages (QSR), late check-out (hotels), mileage bonuses (airlines), or even discounted shoe rental (bowling alleys) to encourage check-ins and thus rank higher in search.

Businesses without Pages will have even more incentive to set one up in order to appear in search results. Then they will need to buy ads to grow likes and engagement, which will in turn improve their

placement in search. If user adoption of the product is as high as Facebook hopes, Graph Search will be well-positioned to one day provide a robust alternative to sites like Yelp, Zagat, and TripAdvisor.

Perhaps most importantly from a business perspective, Graph Search may be the deus ex machina that finally drives traffic to Pages. Out of the 12.4 minutes per day that the average user spends on Facebook[3], most of that time is spent on News Feed and only a nominal amount, if any, on business Pages. Add to that the fact that the most recent adjustments to Edge Rank decrease the reach of an average Page post to <10% of fans, and you'll astutely deduce that Pages just haven't been getting much love. Graph Search will lead people to click through on results and Pages will evolve into destinations. This is the point at which tabs and apps become critical tools to keep people on Pages longer and engage them with relevant content. Also, while Google sends users to other sites, Facebook keeps searchers on the platform, which will appeal to the advertisers that the company needs to grow its revenue base.

Then there are the business use cases and accompanying monetization linked to fields like recruiting and consumer insights. Two-thirds of recruiters already admit to using Facebook to find new talent, and it seems like a no-brainer that once Graph Search is out of beta, Facebook might launch a paid product to compete with LinkedIn Recruiter Professional Services. Depending on what the product looks like, Facebook may tie it in with the paid messaging product they launched in December 2013. In this case recruiters would pay Facebook to ensure their messages to job candidates end up in an inbox, and not the dreaded "other" folder.

Consumer insight teams have been anxious to tap into Facebook data for years, and Graph Search looks like a big opportunity to finally gain real-time deeper understanding of brand fans or even Prime Prospects. For example, if Nike wants to see which athletes their fan base likes, they could do a simple search for "Athletes liked by people who like Nike."

[3] Brittany Darwell, "Users spent more than 10.5B total minutes per day on Facebook in January, not including mobile use," InsideFacebook, 27 Mar. 2012, http://www.insidefacebook.com/2012/03/27/users-spent-more-than-10-5b-total-minutes-per-day-on-facebook-in-january-not-including-mobile-use/ (accessed 16 Jan. 2013).

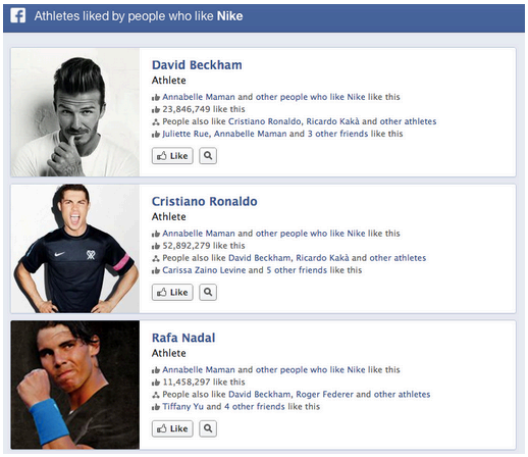


Figure 3 Sample Search Graph query

Nike might use this data to shape the content of their page for maximum engagement or they might use it as a discovery mechanism to aid in the selection of new spokespeople or athlete sponsorships. Again, while Graph Search is currently only open to Facebook users (not brands or Page admins), it is almost certain that Facebook will evolve the product into a paid option for businesses in the near future.

Whether a business is concerned with user actions, page content, recruiting, or even consumer insights, the potential of Graph Search is daunting. To reap the rewards of the first-mover advantage, smart marketers and advertisers will have a solid strategy ready to launch when the product and ad platform becomes available to them.

User Implications

Facebook's mission is "to give people the power to share and make the world more open and connected." For Facebook, making the world more open and connected is inextricably linked to convincing people to share more of their information publicly. One of the biggest questions that comes along with the launch of Graph Search is whether or not it will influence Facebook user behavior around two core issues: privacy and likes.

First, users will need to trust Facebook with their information which will be an uphill battle given all of the company's privacy jiggery-pokery in the past. Graph Search is going to challenge Facebook users to weigh the value they assign to their personal privacy versus the opportunity to show up in search results by recruiters, event planners, or even good-looking potential dates (hubba hubba).

To Graph Search's credit, it's really the first Facebook product that has shown users a potential benefit to relaxing privacy settings. Filling out the work and education sections and making them publicly searchable may mean more job leads if recruiters begin to use Graph Search as a talent-finding tool. And for those individuals looking for dates it will behoove them to update their Basic Info section to include fields like relationship status, birthday, and religion.

If people become comfortable with sharing more personal information (step one), the next step is behavior change. In order for local searches to work, users will need to get in the habit of liking and checking into places such as the dentist, hair stylist, bars, parks, hiking trails, swimming holes, etc. Will people be willing to share check-ins at a doctor's office? What about taking the time to check-in at the local bodega while balancing bananas in one hand and almond milk in the other? Is there a new incentive for sharing Nike+ data now that someone could use it to find others who run at the same pace and might want to train for a marathon together? At what point is it all just too much?

For broader searches, quality results depend on users expanding their current set of likes to incorporate more of what they actually like in real life. This list might include categories like sports teams, television shows, cuisines, musical artists, etc. Will users take the time and effort required to like more things or will they instead choose to cull their likes down to the bare essentials to minimize their presence in search results? Most likely this product will drive a hard line between those people who want to share their information and those who don't. The sharers will need to commit liking and checking-in on a more regular basis whereas the folks seeking privacy will be locking down all of their privacy settings and doing a whole lot of detagging and unliking.

Facebook's Graph Search has the potential to be an amazing vehicle for content discovery, but only if users facilitate the process.

Conclusion

Ultimately, the more information Facebook has about its users, the more valuable Facebook is to advertisers because they can target their ads with greater precision. Should users determine that the benefits of Graph Search outweigh the risks, they will fill out their profiles and make more of their information public, which has the end result of fulfilling Facebook's desire to make the world more open and connected.

And what of Facebook's revenue goals? AB Mendez from PE Source talked to Bloomberg reporters about the monetization gap between Facebook and Google. Each site has over 1B worldwide users, but Facebook did about $5 of revenue per user in 2011 versus Google's $45. The significant gap all

boils down to purchase intent. Facebook is seen as a place people go to look at photos of their family and friends, not where they go to research future purchases. Graph Search is the opportunity Facebook has been waiting for to unleash the power of personal recommendation and use it to facilitate the reallocation of advertisers' search budgets.

While Facebook won't see a revenue impact in the near-term (AB Mendez projects that revenue per user in 2013 will hover around $6), when the company finally unveils its monetization plan many socially-forward businesses will inevitably shift some of their search budget over to the social platform. If they see convincing ROI then the Facebook/Google revenue split in 2014 could look entirely different.

Is Graph Search a Google-killer? No. At least not at this point. Zuckerberg confirmed, "We wouldn't suggest people come and do web searches on Facebook, that's not the intent." The intent is to build a "people-powered search engine" and leverage the mountain of user data Facebook has collected over the past nine years.

Facebook's official statement on the product asserts, "The limited beta of Graph Search is available only to people who use Facebook in US English. The rollout will be gradual, starting with a very small number of users." You can access additional information on the product, including tactile steps to make sure your business is ready for Graph Search on Facebook's Introducing Graph Search page.

Much to the chagrin of the investor community and the 600M users who access Facebook on the go, Graph Search is not yet available on mobile, but is expected to be available soon, starting with iOS.

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