

EXECUTIVE SUMMARY

With 350 million users, Facebook is the most popular social networking site in the world today. Between 2007 and 2009, it has seen growth in its user base and its popularity, but it was not until the second quarter of 2009 that Facebook has seen a positive cash flow. Thus, this strategic report examines Facebook's current business model; in particular, we explore this issue by investigating possible improvements to the organization's current advertising revenue system, examining various alternative revenue streams available to Facebook, investigating the issue of user retention, and navigating through the matter of growing costs.

To gain a deeper understanding of the current Facebook business model, this report begins by quickly surveying the organization's internal and external environment. Using that analysis as the basis, we then identify the main issues facing the organization's profitability and offer recommendations that Facebook can acquire. Most importantly, the report shows that our recommendations are operationally, socially and strategically feasible.

Combining our analysis with qualitative and quantitative data, this report illustrates that Facebook should do the following in order to become a more profitable organization:

1. Improve its current advertising revenue model by providing more relevant ad content while giving users full control of how much information they would like to share with advertisers;
2. Add alternative revenue streams to advertising, including the sale of better virtual goods, the ownership of profitable game applications, the launch of innovations such as Facebook Connect, and the integration of a payments system that will make commerce on the site safer and faster; and
3. Maintain and add to the user base by keeping an organic structure as the organization grows and by improving the site's security to protect the users' personal information.

Analysts expect that Facebook will soon announce plans to go public. We believe that by adopting the recommendations above, Facebook can present a more profitable business model to all its stakeholders and thus be catapulted to the elite group of internet giants such as Google, eBay, Yahoo! and Amazon.