

No Need to Pay for Facebook

Contributed by Ben
Sunday, 20 September 2009
Last Updated Sunday, 20 September 2009

A few of you might remember a brief debate a while back about whether it would ever be acceptable for Facebook to charge it's users if it was unable to make a profit from advertising. I was strongly of the opinion that if they couldn't make enough money from advertising – and I didn't believe they could – then it would be reasonable for them to ask users to pay a usage fee.

It looks like my fears may have been groundless. On Tuesday Facebook announced that it had reached 300m users and was now – a year ahead of schedule – cash flow positive. Whilst this isn't quite the same as being in profit – it means they are making more from advertising than it is putting into capital expenditures – it's the main hurdle which has to be passed for a business model like Facebooks to be profitable long term.

The three hundred million user figure is however the one we should be focussing on. It's an impressive user base in itself but even more impressive is that six months ago, that figure was two hundred million; to gain 100,000,000 users in six months is an amazing feat. To put that into perspective, the population of the UK is a little over sixty million...

Mark Zuckerberg, Facebooks CEO is quite rightly concentrating on the increase in users rather than the cash flow (<http://blog.facebook.com/blog.php?post=136782277130>). This growing user base is the key to Facebooks long term viability. As the user base expands, the appeal to those buying advertising grows because they can reach more people and target campaigns better. As the network continues to grow, Facebook will find themselves in a position where the size of the network dictates than anybody who is serious about advertising online give them serious consideration.

I don't usually like being wrong but I have to admit that on this occasion I'm quite pleased – I don't really want to pay for Facebook; now it looks like I won't have to.

Don't forget to follow me on twitter: http://twitter.com/bdixon_dxn for regular updates and general chat.

Resources:

<http://blog.facebook.com/blog.php?post=136782277130>

<http://www.ft.com/cms/s/0/d93f766a-a24c-11de-9caa-00144feabdc0.html>

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