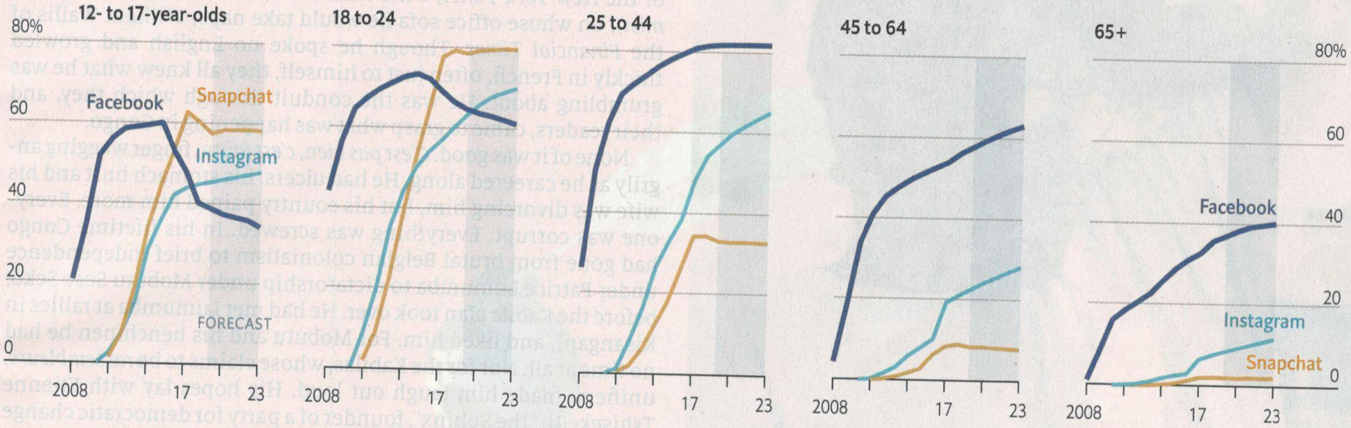
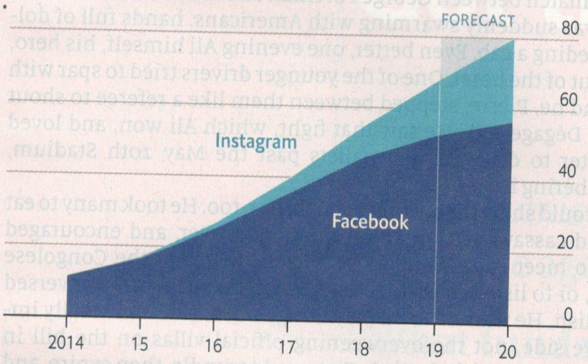
Teenagers are avoiding Facebook, as older users flock to it

Share of Americans using platforms at least once per month, estimate, by age group

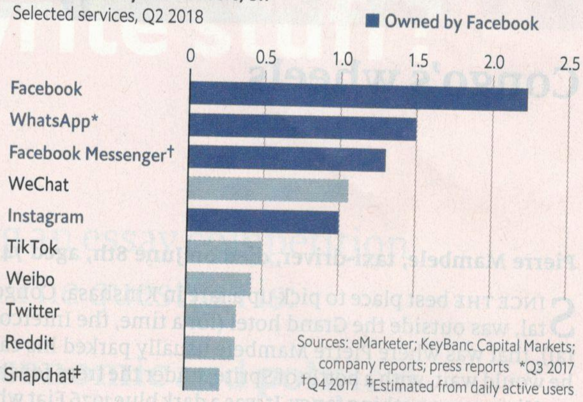


Facebook's acquisitions of Instagram and WhatsApp have compensated for the greying of its core product

Advertising revenue, $bn
Estimate



Global monthly active users, bn
Selected services, Q2 2018



Sources: eMarketer; KeyBanc Capital Markets; company reports; press reports *Q3 2017 †Q4 2017 ‡Estimated from daily active users

Teenage wasteland

Youngsters are avoiding the Facebook app—but not the firm's other platforms

IN 2003 MARK ZUCKERBERG built Facemash.com, a website ranking the attractiveness of his Harvard classmates. The college made him delete it. But the 19-year-old soon launched another site, on which users could create profiles and communicate. TheFacebook.com spread rapidly to other campuses. By 2006, when *The Economist* first wrote a story about the "student networking site", it had 10m users.

Today, Facebook's youth is a distant memory. Only four public companies are worth more than Mr Zuckerberg's. His dormitory invention boasts over 2bn users. Politicians and businesses use it to sway the public. Now that the social network has grown up, however, teenagers are increasingly avoiding it.

Measuring usage of Facebook is tricky: the firm says it stopped spammers from creating 2bn fake profiles in the first quarter of 2019. But eMarketer, a consultancy that blends Facebook's reported figures with polls, reckons that 16-year-old Americans are less likely to use it than 60-year-olds are. The share of people aged 12-17 who do so at least once per month has fallen from 60% in 2015 to 39% today. The figure for those aged 45-64 is 58%. A similar trend holds in other countries with reliable data.

One cause is youthful rebelliousness: few teens want to share a network with grandma. Another is the type of content the platform offers, explains Mark Mahaney of RBC, a bank. Whereas Snapchat and Instagram, two newer services, let teenagers document every moment with image filters and animated "stories", Facebook emphasises its news feed and messages. That is helpful for contacting old friends, but not for photographing breakfast.

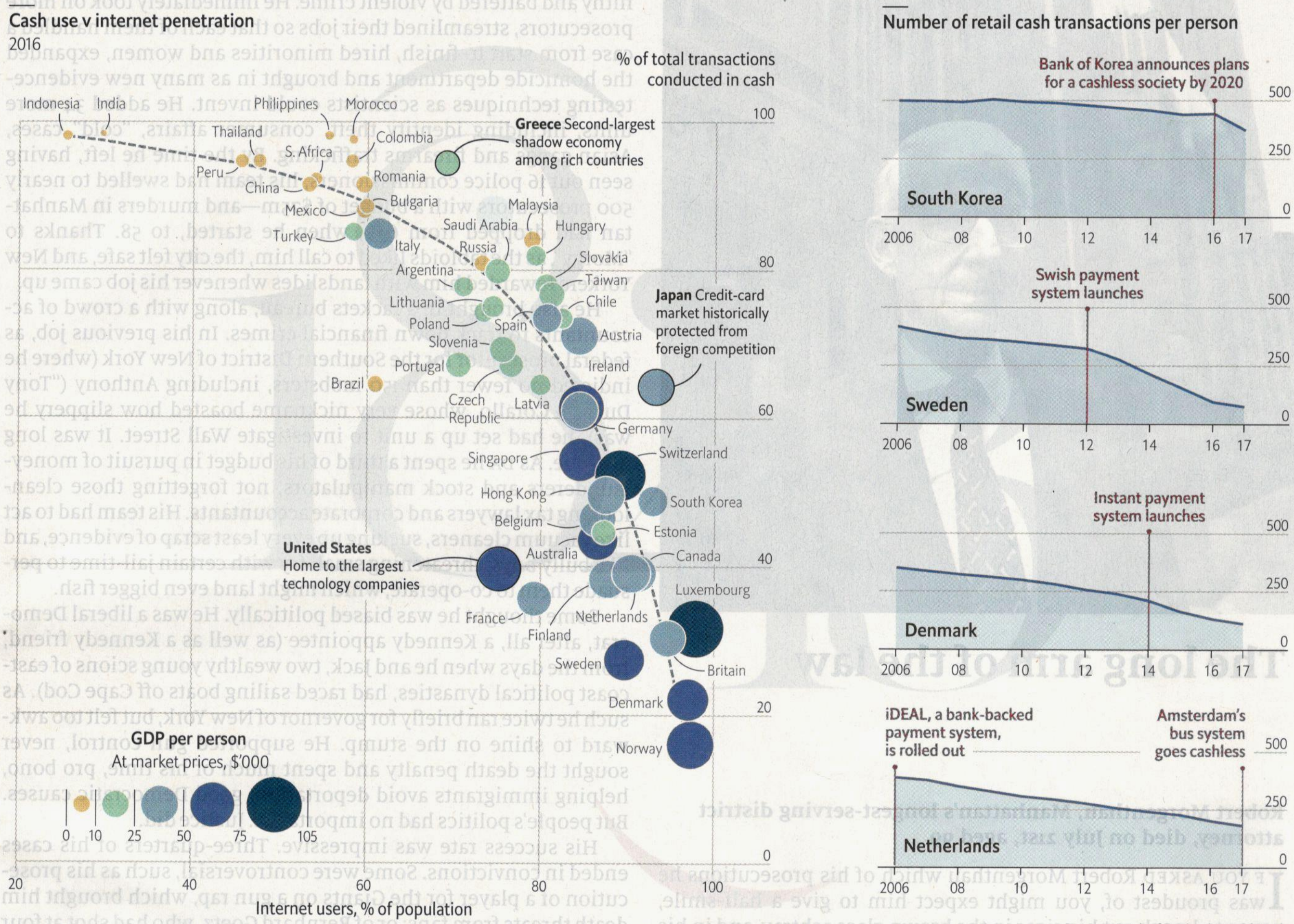
Luckily for Facebook, competition regulators permitted its acquisitions of Instagram in 2012 and WhatsApp, an instant-messaging app, in 2014. If one counts Facebook Messenger, a chat app the company carved out from its core site in 2011, Facebook now owns four of the five most used communication apps (excluding email).

Facebook does not break down its revenue by platform, but Andy Hargreaves of KeyBanc Capital Markets estimates that 23% of its $68bn turnover this year will come from Instagram, based on surveys of advertisers. That share will probably keep rising as Instagram offers more ad inventory in the stories format. WhatsApp will introduce ads in 2020—when Facebook plans to launch Libra, a digital currency.

Facebook may soon receive a fine of around $5bn for leaking private data to Cambridge Analytica (see Business section), but can easily afford that sum. And however unfashionable the company's namesake platform is becoming, it is still adding more users.

Even if the Facebook site and app become moribund, Facebook the company is likely to remain competitive. Such resilience owes as much to regulators' past tolerance for a big incumbent gobbling up challengers as to the firm's deft strategy. ■

More-digitised countries use less cash. Enthusiastic governments can speed things along



Sources: Bank of England; World Bank

Tossing the coin

Ditching cash requires high internet penetration and state support

On July 27th, outside Brooklyn's hipper-than-thou Smorgasburg street-food market, a dozen hungry visitors stand idle amid the barbecue fumes. Rather than queuing for food, they are waiting at a cash machine. Yet inside the market, vendors are trying to wean their customers off cash. Gourmets who use Apple Pay, a mobile-payment service, receive hefty discounts on their purchases. "Apple pays us the difference," one trader explains.

Most transactions around the world are still conducted in cash. However, its share is falling rapidly, from 89% in 2013 to 77% today. Despite the attention paid to mobile banking in emerging markets, it is rich countries, with high financial inclusion and small informal economies, that have led the trend. Within the rich world, more-digitised societies tend to make fewer cash payments. In Nordic countries like Norway and Denmark, where 97% of people use the internet, around four out of five transactions were already cashless by 2016, according to a recent review chaired by Huw van Steenis of the Bank of England. In contrast, internet penetration in Italy is just 61%, and 85% of transactions there were still handled in cash in 2016.

Beyond this broad pattern, decisions by both individual firms and governments have large effects. At the company level, installing infrastructure for contactless payments bears fast fruit. AT Kearney, a consultancy, finds that in rich countries the number of transactions per card has risen by 20-30% within three years of contactless technology becoming widespread. Banks can accelerate the process by building fast, low-cost systems that enable direct transfers between accounts, such as iDEAL in the Netherlands or Swish in Sweden. America has ditched banknotes faster than its modest 75% internet-penetration rate would suggest because it is the domestic market of many large firms promoting digitisation, such as card networks (Visa, MasterCard), tech giants (Apple, Google) and payment apps (PayPal, Venmo).

Public policy also makes a difference. Some cities, such as London and Amsterdam, have banned on-board cash payments on public buses. Estonia—the birthplace of Skype, an internet-telephony app—has been a leader in digitising public services, such as filing taxes and voting. Its residents are comfortable using new technology and sharing data, and often snub cash. Japan, in contrast, uses more cash than its internet usage would indicate. Historically, it had a sleepy credit-card monopoly entrenched by regulation, which discouraged foreign firms from investing.

So far, cash has proved stubbornly difficult to stamp out completely. Even in Sweden, a front-runner, one in four transactions involves it. But a tipping-point may loom. Handling cash is expensive. Studies estimate its overall cost to society at 0.5% of GDP. As more payments become digital, this burden will fall on ever fewer stores, shoppers and banks. If cash-withdrawal fees rise to $10 a time, even technophobes and older shoppers may start paying for those truffle fries with their phones. ■