

How Companies Are Changing The Way They Do Business With Facebook



Gene Marks

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Rich Rao

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Full transcript

Gene Marks:

Hey, everybody. I'm your host Gene Marks. And this is season two of the Paychex Business Series Podcast. I am a certified public accountant, a regular business columnist for a bunch of publications you may know, like *The Guardian* and *The Hill* and *The Washington Times*, *The Philadelphia Inquirer*, *Forbes*, and *Entrepreneur*. But most importantly, I'm a small business owner of a financial and technology management services company. And I have teamed up with Paychex, the leading provider of human resources, payroll, benefits, and insurance services to bring you real-life stories and advice from real-life business owners and experts. Now, last season, we talked about the challenges associated with COVID-19, but this season we're focusing on moving forward and innovating and navigating the road to recovery. So my special guest for this episode is Rich Rao from Facebook. First of all, Rich, am I pronouncing your last name correctly?

Rich Rao:

You said it exactly right, Gene.

Gene Marks:

Oh, wow. Okay. So, that was completely lucky. Glad that you're on. Rich is the Vice President of Small Business at Facebook. So all of you who are listening, this is the guy that you yell at when you're having any problems whatsoever with Facebook. This is the guy at the top, when it comes to small business. And Rich, I want to dig into a few issues with Facebook and concerns, some things that I think you can help a lot of small business owners get their arms around, and then we can also talk about the future as well. But before I do, can you just explain to me a little bit about what your job is at Facebook? What do you do?

Rich Rao:

Yeah. First off, Gene, thanks for having me on. It's great to be here. My job is I'm literally in the business of small business. My job is to spend time understanding small business needs and ultimately to help them grow their business using Facebook as a platform. And my team and I, we think about that every day. And we come to work excited about helping small businesses, especially right now, during this time.

Gene Marks:

Okay. So what are you finding right now? I mean, what do you think small businesses need from Facebook to help them grow?

Rich Rao:

Yeah, I think it starts with the current situation, which obviously, it's been an unprecedented time and it's been particularly challenging for small businesses. We've started to publish more market reports, just so that more in the industry understand the challenges small businesses have. But what we are seeing is that small businesses are optimistic and they're resilient and they're innovating more than I've seen in my career and I've worked in small business for a long time.

And I think one of the interesting trends that we're seeing is what I'm calling the modernization of Main Street. And that is before you had companies that were very much online focused, maybe they were born online, or maybe they moved a portion of their business online, but now what's happening is you're finding the businesses on Main Street coming online.

One example, I met with a company, a person named Tom Mulholland, and he runs a company called Mulholland Grocery. And when they were shut down for the pandemic, he had to find a way to do business. And so he would go on Facebook and do Facebook Lives where he would showcase his products. And he was like slicing prime rib. And of course I'm hungry as I'm watching the videos. But he's now getting orders from all over the country. And he wasn't getting that before. So I think the level of innovation and resilience that I've seen is just really inspiring.

Gene Marks:

Yeah. It's funny, you and I, if you think back to Main Street. One of my favorite shows on... I don't know if you ever seen on Amazon, it's the Adventures of Mrs. Maisel. It's like this woman who is trying to be a standup comic and it all takes place in the late '50s and early '60s in New York City. And as they're walking down the blocks in New York, so they're walking down Seventh Avenue, they're in the village, the stores there look nothing like the stores of today. It's all changed. It's like, there's no really that many dress shops or shoe shops or things like that. It's mostly today like smoothie shops or coffee shops or fitness centers, it's like retail is really changed. Don't you think?

Rich Rao:

Yeah. Yeah. And I think we are seeing a large percentage, we have a big set of customers on our platform who are retailers. And they're now thinking about the combination of that retail presence and online, and everything from their presence and their brand to then driving traffic, to conducting transactions, to facilitating store traffic. And so I think, these were the terms that larger businesses would talk about, but now we're seeing it happen with the smallest of businesses. And it's fascinating.

Gene Marks:

Obviously, when people are looking to sell online, maybe they're signing up as an Amazon merchant or they're on Etsy or they're on eBay or maybe they have their own eCommerce stuff, they're using Shopify or Magento. Do you see Facebook moving into that area more aggressively, particularly with small businesses so that they can sell online?

Rich Rao:

Yes. I definitely see that. I think the starting point has been, for us as a company is, Facebook has been a place where people are and so businesses therefore need to establish their presence to interact with people. And it started with, really in large ways, using our tools for free. We have 180 million businesses on our platform who use our products every month for free. And then advertising became the next step. And then you could extend your reach beyond just your community or beyond your current customers.

And increasingly what we've seen is both consumers and businesses, they want to be able to transact in the app or on-site. And we've launched actually in the last couple of months, something called Facebook Shops, that allow someone to set up a whole sort of shop within Facebook and Instagram, and then increasingly check out as well on-site.

So, I think we're starting to see more demand for that. It's still early days. But it's interesting to see and it's happening for businesses all over, around the world. You mentioned dress shops. I spoke to a company in India last week and she's selling saris, which is kind of a Indian attire. It's a dress. And she's selling them on Facebook, but she asked me, it's like, "Hey, why can't I just have people buy it right here on the site?" And I said, "Oh, actually we do have that. It's coming if you don't have it already." But half the challenge is really understanding what the technology is and what it has to offer.

Gene Marks:

It just seems a lot of businesses, small businesses are going to be faced with some big decisions in the next few years. I mean, Amazon claims that they've got more than a million small businesses that sell on their site. And if I'm a small business and I've got limited resources, I'm going to have to make some choices where I'm going to be spending my time. Do you see Facebook moving into a more competitive position versus Amazon? Do you see Facebook saying, "Listen, rather than being an Amazon merchant, come on with us, you can sell your products just like you're selling them on Amazon." And then also add all the engagement type of features and functionality that Facebook provides. Is that something that we might be looking for in the future?

Rich Rao:

Well, I think the good news, if I'm in the shoes of a small business, is they have a lot of choices and I think we're one of those choices. And I think where we're distinct is what I spoke about earlier, which is around that's where people are. And they may not necessarily be looking for the thing that you have, but if I have an interest in, say, golf, and then I'm in my feed and I happen to see something that's related to golf, then all of a sudden I become aware of a product that I was never looking for. And I can consider that.

And I think the other interesting aspect that we want to continue to further is this idea of business to people engagement. If you think about Facebook as a platform in terms of what we do, we bring people closer together in a community. And one of the ways we do that is with messaging. And we're seeing just this growth of people who want to interact with businesses, but through messaging. And they don't want to pick up the phone and call, or they don't necessarily want to go in, or they don't necessarily just want to go to their website. But they want to establish... They may start with a question, but ultimately what I believe is they're trying to establish a relationship and that relationship can be super valuable for a business, especially right now, but certainly in the future as well.

Gene Marks:

Rich, obviously, Facebook generates a lot of revenues from its advertising, as a small business advertising on Facebook is not that easy sometimes. And not that the tools aren't user-friendly, they are, but sometimes as a business owner myself, Rich, I run into challenges I even have on Google, which is unless I really spend the big bucks, I'm going to get outbid and stepped on by some of the larger companies that are also out there spending money. Do you think it's a level playing field for small businesses on Facebook as advertisers when they're competing against the much larger brands that are there?

Rich Rao:

It's a great set of questions there, Gene, I think you had a couple of things that we can maybe hit upon. I think just speaking about the last one, I think the thing that you mentioned about leveling the playing field is actually what I'm most proud about. If you think about where we were maybe a decade ago, and you were a small business, you had to compete with bigger companies with bigger media buys in television, and you don't have a lot of great choices. But now anyone in the world with an idea or a business and with a phone and a few clicks can then start to establish your brand. And then advertising, as I mentioned, extends that.

Now, advertising does start with, you can start with a few dollars, just to experiment. But what we've seen is the value happens with experimentation and it does take a certain amount, I think, of investment to try and get your return, but usually it comes through a learning phase, a learning phase for the small business on our platform, and then essentially our platform as well, learning how to best serve you. And so I think the great thing about our tools is they're incredibly powerful, but what you mentioned is sometimes they can be hard to use, which is why I think this year in particular, we've really invested in training. We've put a whole lot into training because we realize there are small businesses very much in the situation that you described.

Gene Marks:

There are a lot of tech companies out there that... Microsoft is a perfect example that their products can be powerful, but sometimes not so easy to get your arms around, particularly for a smaller business. And Microsoft has been a very channel-focused company throughout its history, and they have tens of thousands of partners around the world that implement solutions using Microsoft technology. I heard you say you're making the technology easier to use for small businesses, but I mean, Rich, do you think going forward, is it the best use of a small business owner's resource to spend time becoming an expert at using and advertising on Facebook? Or, if you were running a small business, would you likely hire an expert? And the second part of that question about hiring an expert is do you think in the future, Facebook would expand and build a channel of experts or solution providers like a lot of the tech companies today have?

Rich Rao:

Yeah, that's a great question, Gene. I think the typical pattern, in terms of what I see is, business starts on their own and they'll create their page, they'll establish their presence, they'll get started, they'll have a certain amount of success, but then they want to figure out how to take it to the next level. And then either the choices are... They have someone on their team that they hire as a specialist. Maybe that person is doing this plus other things. So they're getting some leverage and scale, or they may want to work with an agency and a third party.

Rich Rao:

And I think all of those are perfectly valid paths, and we want to make it as easy as possible for you to choose. I will say we are, as you mentioned, we're trying to make our tools easier and that's going to help everyone. It'll help our customers, it'll even help our partners as well. We just launched something called Facebook Business Suite last week. And one of the major requests and piece of feedback we heard from businesses is, "There's Facebook, there's Instagram, but I kind of have to do two sets of work. I have to post here and I have to post on Facebook and I have to post on Instagram, or I get messages on multiple platforms."

And so we, to help save businesses time, we consolidate it all in one place. So now you can post in one place and it'll cross-post if you opt to do that. You can receive all your messages and all your notifications, all your comments in one place and then respond. So we're going to continue to invest in tools that just save businesses time and at the same time then give them some good options for advancement. And that includes doing the work themselves or as you mentioned much more in the future, we'll have, I think, even more partner offerings.

Gene Marks:

That's great. So, you bring up Instagram and it really is a good, I mean, right now the perception is, is that most people, well, many people know that Facebook owns Instagram, but they really are two separate and distinct platforms. You're either on Instagram or you're on Facebook. And you just said, Facebook's introduced some tools to help consolidate that. Where do you see that going for a small business in the next few years? Will it be a continuing consolidation of the two platforms? Will I be able to operate seamlessly between Facebook and Instagram so I can get sort of more bang for the buck between those two communities?

Rich Rao:

From a business perspective, yeah, that's what they wanted. They want to be able to use both platforms. Oftentimes what I see is they'll start with one and then they'll get into the other. And then they usually find one of them may work. They tend to work differently depending on the business. And one may work better than the other in their own words. But ultimately what I find is that they want to be across both. There's large communities of people there and there's different modes of interaction. And so, recently, we already have had tools that businesses can use to scale across both, our ads platform is a good example.

You can run, even before this Facebook Business Suite that I mentioned yesterday, you could run ads across both platforms and the platform and our ads infrastructure would figure out how to optimize for the best value for you. So in some ways you can experiment, but then you get the benefit of our optimization, which is going to serve you the best value independent of which platform you're on.

Gene Marks:

How would you recommend that a business owner decide where to put their resources between Facebook and Instagram? Is it demographics? Is it content? If a business owner says, "I can only really choose one for now because I'm limited." What advice would you have?

Rich Rao:

Yeah. I mean, in some ways I think, I'll go back to the answer that I talked about when it comes to what distinguishes Facebook, which is around people. So if you, I would create both a page and a profile and then essentially let the engagement determine that. And I think you'll quickly see that, one may have more interest or a different type of interest than you're used to getting on the other. Instagram, for example, I follow, I personally, I speak from my own personal experience, I follow brands that are a little bit more artisan or crafts on Instagram.

On Facebook. I think of it as, there's more intersection, for me personally, with my community and around local, businesses nearby. And so, for example, on Facebook, we have a businesses nearby capability that allow you to see businesses in your neighborhood. And so businesses tend to reflect back that there's oftentimes that real community feel that's been built up on Facebook, which is different than building on Instagram, but it's also got its own benefits and differentiation.

Gene Marks:

Rich, if you, and I get this question asked a lot, I mean, from a lot of my clients, if you're active on Facebook, if you have determined that your community is on Facebook, based on what your business does, do you still think a business needs a website or can they just operate all on Facebook?

Rich Rao:

It's interesting. We see businesses across the spectrum and, we have a fair amount of businesses who've come to us today without a website. And that reflects businesses, who I think for the first time are moving online. And we can take some work to set up a website, but once you do it, you've got that asset. And what I really encourage businesses to do is you don't need to be in one channel. You don't need to be exclusive, so you can be on Facebook and have your presence, and then you can have your website. And the way it works is, it actually, they work together well.

So if you have a website and you have commerce set up, so that you can sell your products on the website, it then integrates into Facebook Shops. The thing that I mentioned we launched, so you can automatically get your product catalog to be present on Facebook as well. And so it ends up being complimentary. But I think we're going to continue to see this. Websites are going to be there, but I think increasingly that interaction and the richness with communities, we're finding, I see it's happening on Facebook.

Gene Marks:

Just a few more questions for you and I'll let you go. I mean, the first, in the news, obviously Facebook has come under some negative publicity in the course of the elections, the data and all that kind of stuff. Do you think that drives small businesses away, Rich? I mean, do you think that the challenges that Facebook has had over the past few years to give people comfort of its objectiveness, what it's trying to do to get rid of the hate messaging, the so-called fake news or whatever, do you think that will impact Facebook's growth with small businesses? And what is Facebook doing to make sure that you guys maintain your credibility among small businesses?

Rich Rao:

Yeah, this is really important. And I know, Gene, there's been a lot in the news around businesses advertising on Facebook right now and some concerns, specifically around hate speech or the upcoming election and what we're doing around it. And these are extremely important topics. And we really invited open dialogue on these topics with civil rights groups, with third-party organizations and with our clients. And we try to make it clear that Facebook really doesn't benefit from hate speech, full stop. And we don't want it on the platform, we've invested billions of dollars each year to keep the community safe.

Rich Rao:

We've really done a lot of work to prepare for the election that we've got coming up. We've also had elections around the world as well the people in the U.S. may not be as close to. And we've learned so much from 2016, but we're taking it extremely seriously.

And I think when it comes to small businesses specifically, they want to make sure that we are addressing these issues and that they are of paramount importance. And when I talk to clients, they want to know what we're doing, and they want to know that we're taking responsibility. And they also want to know that we're going to continue to be a big proponent of theirs and help them with their business. And so it's ended up being, I think, something that's brought, from my perspective, us closer together, particularly with smaller businesses during this time.

Gene Marks:

All right. So crystal ball time, Rich. So, hopefully you'll be with Facebook for another 27 years. If we can look forward to just maybe a few years, three, five years from now, I'm active on Facebook. A lot of small business owners are active on Facebook. What do you think the platform will look like in the future?

Rich Rao:

Yeah. I think this is an extremely exciting time. I read a stat from the UK Office of National Statistics that over the last five months eCommerce has grown as much as it did over the last 10 years combined.

Gene Marks:

Yeah, I saw that too.

Rich Rao:

And that's just pretty wild. And I really think we're 10% of the way on that journey. And so the question becomes, what does that 90% look like? And so, I'd say there's a few areas that we are going to look materially different. And the first we talked about a bit, but I'll broaden it and just talk about commerce, which is the ability to transact and conduct business. But it's going to be across industries, across physical goods, across services. We launched recently a product called Paid Online Events. And that allows, say, if you're a yoga studio, you can conduct a session online and get paid right on platform.

And so, that's an example of, I think, that how commerce looks has, if you go back even two, three years, it looks very different now. So I think the future is even brighter. And you can almost imagine with the internet and with our apps, just you're going to have commerce everywhere and the ability to buy and sell, it's very intuitive and connected with the experience that we all know and love today. So I think that's one of the first big areas.

I think the second is related to business interactions. I think we've seen new forms and formats of engagement, whether it was video or stories, or now reels, messaging is another. What's really interesting is that right now, some of the leading trends are happening in Latin America and in Asia. In that if you look at it, there's consumers and businesses who are engaging via messaging and transacting and then tracking orders and doing continued marketing and sales. And I think we're in the very early days of that. And so when I talk to clients, I always ask them to check and see how much they're using messaging, because that's going to be both a valuable service now, but increasingly in the future as well.

Rich Rao:

And then the third thing I'll say is, if you think about your own Facebook feed, Gene, or your Instagram feed, it's personalized for you. So you have a platform with this 3 billion people on where everyone has their own content. I think in the future, you're going to find what we're trying to do with our own customer service is to make it very personalized and predictive. And with the latest advancements and really over the last few years with big data and machine learning, that's possible for companies like us, but in the future, I could almost see a small business really tap into this and get much more predictive around what their own customers will need. So I think all of that's incredibly exciting.

Gene Marks:

I think the personalization of the communications is, I have mixed feelings about it. I mean, I have no problem if I'm doing a search for vacation spots in Miami, and then I start getting ads fed to me or messages fed to me about that because it's what I'm into and what I'm looking for. But sometimes, on the other hand, the personalization part is it can put you too much into one category. I know a lot of news organizations complain that if you tend to favor left of center content, then you're just going to get fed more of that from Facebook, rather than hearing opposing points of view.

And the same thing might be with products that you buy, you behave, you like leather couches and you get fed content about leather couches on Facebook. But maybe you would be open to some other type of couch, but you're getting less of that because Facebook is trying to figure out what you like. So I guess they're just some of the challenges that the companies are going to have to deal with going forward. Am I right?

Rich Rao:

Yeah. I think that the idea of personalization is really important, and I think we've seen the benefits of it. We've seen it in as consumers in terms of our feed, in terms of the content. And we've also seen that benefit in terms of ads. You may get an ad that you're really interested in, a business can reach you, who may be interested versus someone who is not interested. So, the downside of a TV ad for example is, for business, you're just putting it out there. And then for consumers, you have to potentially listen to or watch an ad that isn't relevant for you.

But I think the key thing that comes along with that is a responsibility and the responsibility is to give people control and transparency. I think those are the two key things you need. You need to be able to say, "Why is this content, or why is this ad appearing for me?" And then I want to, as a consumer, I want to have some control over that. And whether or not I see that content going forward. We've invested in that over the last, I think, one, two years, it's been incredibly important. We've seen a good feedback from that. If I can have transparency, if I can understand it, and if I can control it a bit, then I feel much better about it, and that I'm getting the benefits without maybe some of the downside that you mentioned.

Gene Marks:

Got it. And before I let you go, are you in the San Mateo area? And is your sky still black?

Rich Rao:

I'm just so grateful right now for clear skies. We've had a difficult time. I know many people in the Bay Area along the West Coast, in many spots, have struggled with that. But, yeah, we're just so grateful right now. And we're just thinking about all the people who were fighting the fires and been challenged, but yeah. No, it's, in so many different ways, I think this need to be connected online and to be connected with people to be able to sell your products and services, to be able to buy, it's just become so pronounced. And so, yeah, as a company, we're extremely, my group is extremely busy and really focused on how we can help right now communities.

Gene Marks:

Rich Rao is the Vice President of Small Business at Facebook. Rich, thank you very much for your time and your insights to where Facebook is going and would love to speak with you again some time in the future and keep up. Facebook affects hundreds of millions of small businesses and their customers around the world. And I think what Facebook is doing is a big impact on small business. So Rich, thank you.

For more great podcast episodes from the Paychex Business Series Podcast and other information to help you run your business, please visit paychex.com/worx. That's W-O-R-X. My name is Gene Marks. Thanks for listening. And we'll see you again next time.