

The Telegraph

How Facebook is fuelling the growth of the super start-up
A Facebook executive tells the Telegraph how the social network's digital ecosystem helps app developers build billion-dollar companies from their basements – and why those sky-high valuations are justified



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Countless column inches have been dedicated to **the meteoric rise of technology services such as Uber, Spotify, Netflix and Airbnb** that are springing up, seemingly out of nowhere, and making life difficult for the established titans of their respective industries.

But there's one super-power lurking behind all these start-ups, fuelling the astronomical growth of the app economy: Facebook.

Through the Facebook Platform, which provides developers with the creative and analytic tools to build, grow and monetise their companies, the social network claims to be one of the major forces shaking up classic business models.

And at its epicentre is Julien Codorniou, a soft-spoken, floppy-haired optimist who hails from Gruissan, a fishing village on the south coast of France that had roughly 1,300 inhabitants when he was born.

Now, Codorniou is Facebook's director of global platform partnerships, managing relationships with countless companies using Facebook's platform to reach the social network's almost 1.5bn users.



Julien Codorniou, Facebook's director of global platform partnerships

Facebook Platform launched in 2007 with the purpose of allowing developers to create external content such as games and news to be played and consumed on Facebook.com. Within a year, around 30,000 apps existed on Facebook, and later the Menlo Park-based company unlocked the platform so that anyone could build an app designed to exist outside of the website.

Today, any app that connects with Facebook's worldwide community of 1.49bn monthly active users – around a fifth of the global population – is considered to be part of the Facebook platform, and a tool as simple as "Login with Facebook" has allowed millions of apps to piggyback on the social network's ready-made audience of half the world's internet users.

The social network, which just reached \$4bn in quarterly revenues for the first time, has grown its monthly users by 13pc over the last year and its daily users by 17pc. **One out of every five minutes spent on a smartphone in the US is now spent on a Facebook app.**

“When people think of the Facebook platform they think of a gaming platform on the web,” such as Farmville or Candy Crush, Codorniou told the Telegraph. “Nobody connects the dots when they see Airbnb, Uber and Spotify that Facebook is behind each of these companies. But that’s the ambition – we want to fuel their growth, even if it is invisible to the user.”



Codorniou with Facebook founder and CEO Mark Zuckerberg in 2012

The platform’s simple tools, including ones that allow users to login with their Facebook details, share content such as a news story or a quiz result on their Facebook timeline and invite their friends to use an app in return for perks, are free to use.

Facebook Platform makes money by selling ads to developers who wish to target their apps to people with a certain hobby or tell existing users about an update to their content. Facebook also charges a 30pc commission for in-app purchases made through its payments system.

Of course, these apps also exist on other platforms, such as Apple’s iOS and Google’s Android, but Codorniou believes there is a major difference between these operating systems and Facebook’s platform.

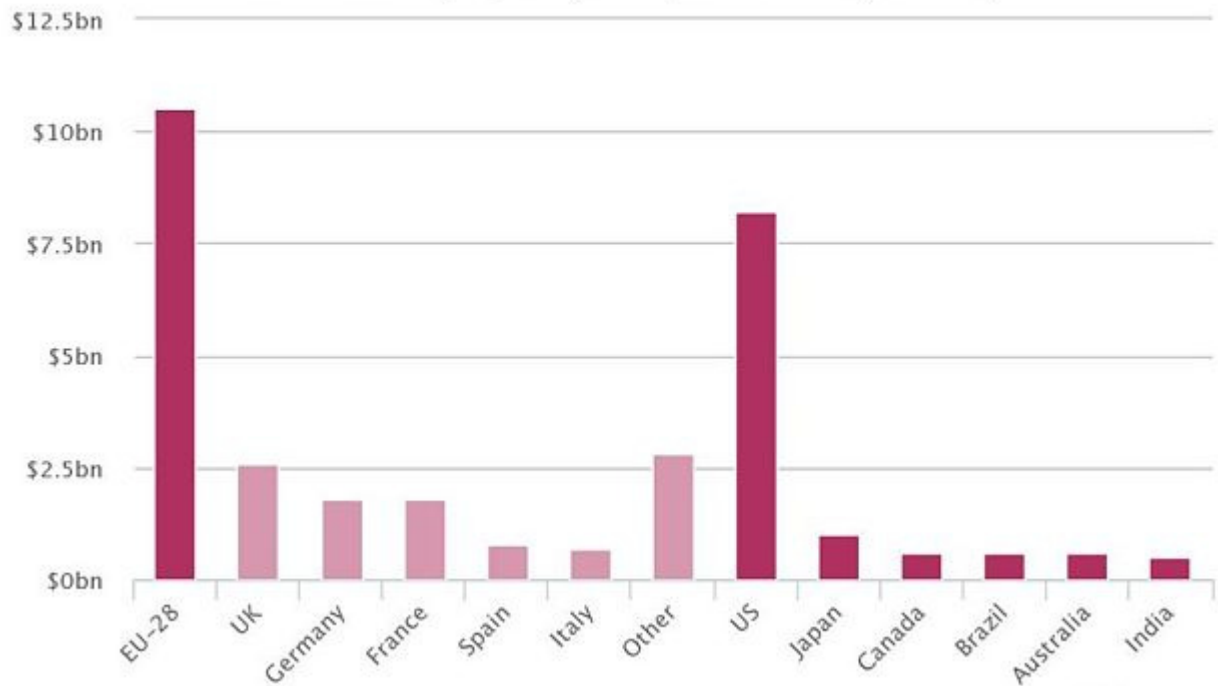
“The unique asset we have is distribution – we provide the opportunity to reach more than a billion users on any device and nobody could say that before us,” he said. “And we are definitely the only platform company in the world that has a vested interest in making its ecosystem cross-platform.”

Facebook claims direct responsibility for 3.5bn app installs across desktop and mobile devices in 2014 and says that more than 5bn pieces of content from third party apps were shared across the Facebook platform last year.

Over the last five years, Facebook has paid out \$8bn to developers.

Economic impact of Facebook's platform in 2014

Source: Deloitte report January 2015 (commissioned by Facebook)



A recent Deloitte report, which was commissioned by Facebook, found that **the Facebook platform contributed \$29bn to the global economy** and supported 660,000 jobs in 2014, most generated by third-party apps that exist outside of Facebook.

More than a third of that financial impact was felt in EU countries, making Europe the largest beneficiary of the platform's economic effects, boosting the bloc's economy to the tune of \$10.5bn and supporting 198,000 jobs.

This means that if you're a fledgling startup looking to grow that unicorn's horn, you need to get your company in front of Codorniou.

Some of Europe's most successful startups that have benefited from the Facebook platform include **King, the maker of Candy Crush Saga that has a \$4.9bn market cap** following its London flotation last year; Spotify, which with an \$8.5bn valuation is **the most expensive venture capital-backed startup in Europe**; and SuperCell, the Finnish studio behind the world's highest-grossing mobile game, Clash of Clans, that some analysts have valued as high as \$11bn.

"I call that **the rise of the European super-startup**," said Codorniou, who lives and works in London. "Our mission at Facebook is to identify and engage with these companies as early as possible. We're always on the lookout for the next big thing. Who's going to be the King.com of e-commerce in China? Who's going to be the King.com of dating in Sweden? That is part of what we do and I'm very bullish on Europe."



Clash of Clans maker Supercell sold a 51pc stake to Softbank and GungHo in 2013 for \$1.5bn

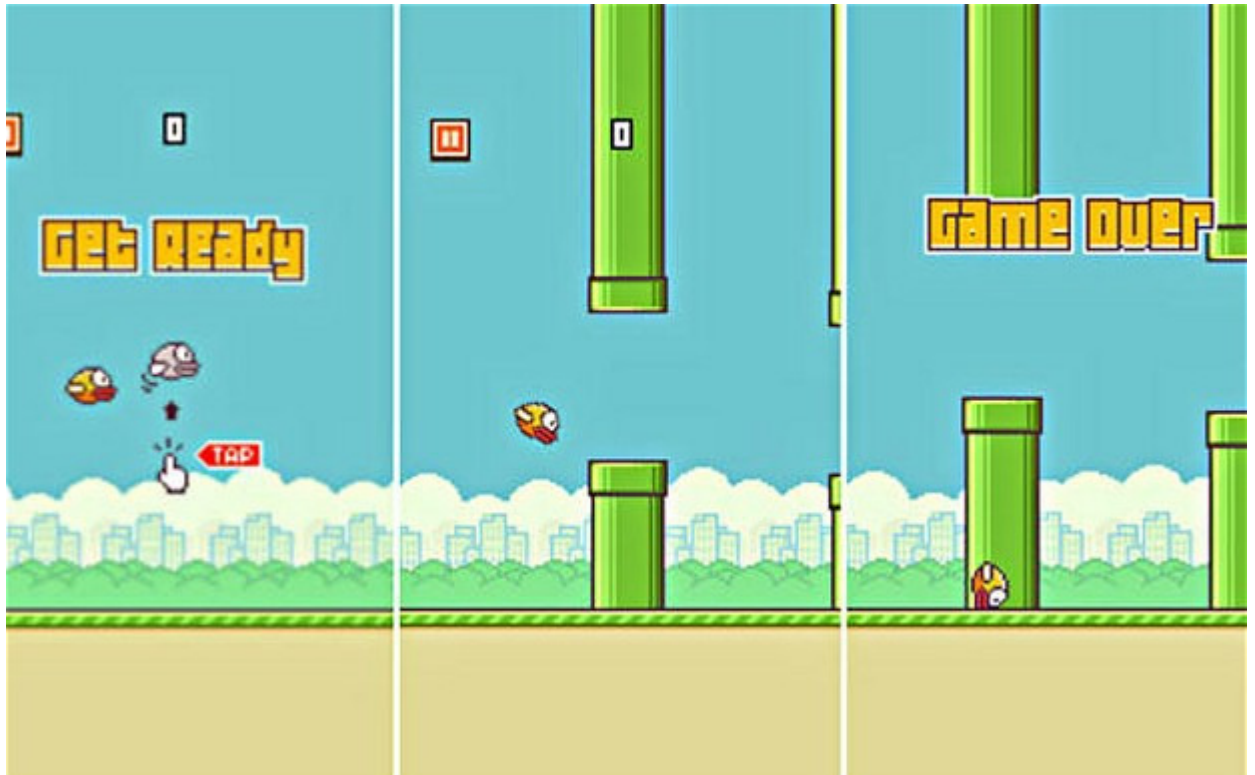
Codorniou pins the success of companies like **King, which he calls “the most famous example” of Facebook’s platform at work**, on the social network’s reach. “If you look at all the companies raising money, going public, being acquired – what they have in common is that they are using the Facebook platform to build or to grow or to monetise their applications,” he said.

King’s founder and chief creative officer, Sebastian Knutsson, has said that **joining Facebook was “a big pivot” for the company’s fortunes**, along with the “big lift” from expanding to mobile.

However, sceptics question the sky-high valuations reached by these companies in their infancy and question how businesses such as Uber, **apurportedly loss-making six-year-old startup**, can reach **a valuation of \$50bn**, and Airbnb, a seven-year-old home-rentals website without property assets of its own, could hit \$25.5bn and **eclipse the market cap of established hotel giants** such as Marriott.

But Codorniou, who worked in venture capital before becoming director of business development at Microsoft and then moving to Facebook, believes these mammoth valuations are well-founded because, driven by Facebook, the companies either have “crazy reach”, quickly attracting hundreds of millions of global users, or “crazy engagement”, with people spending a lot of time using their products.

“Supercell is an 150-employee company out of Finland which has three games, but it made \$1.7bn last year. The valuation is definitely justified by the reach Supercell has, the engagement it has and the profits it makes – and that’s very new.”



The maker of Flappy Bird was making \$50,000 a day from the game Photo: cnet.com

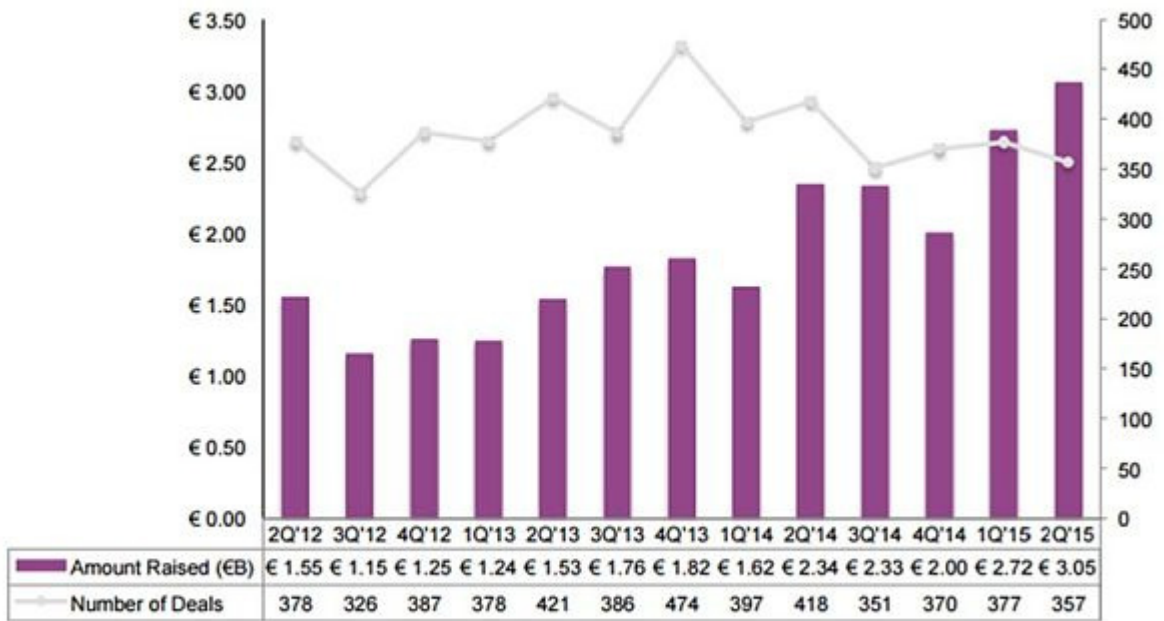
A decade ago – when Facebook itself was still a college website called thefacebook.com – a startup would have to spend money on building its own software from scratch, hiring a team of people and making distribution deals to sell its product.

Today, anyone can create an app at minimal cost, publish it on a platform such as Facebook or iOS or Android and ship it globally in one click.

“The barrier has never been as low as it is today – it’s extremely easy for anyone in the world to build a great app and to become potentially a billion-dollar company,” Codorniou said.

He cites the example of Flappy Bird, an addictive game – created in a few days by a Vietnam-based developer living with his parents – that at one point last year was **the most downloaded free game in Apple’s app store.**

“Flappy Bird had 50m users, it’s one guy in Vietnam and he was making \$50,000 a day,” Codorniou said. “Right now it’s a flat world where everybody competes with everybody – everybody is treated equally in the app stores of the world.”



Europe, which suffered in the earlier years of the tech boom from not having the capital, experience or momentum of the US startup scene, has **profited particularly well from this internet-enabled democratisation of resources and reach.**

Between April and June, European venture capital-backed companies raised just over €3bn, 12pc more than the first quarter of 2015 and a 31pc increase on the same period last year, according to recent data from Dow Jones VentureSource.

“Emerging markets will benefit too. Everywhere you see technical talents, you will see billion-dollar companies,” Codorniou said.

Facebook plans to be around for the birth of all those unicorns and is placing itself in prime position to profit as newly disrupted industries follow in the footsteps of gaming companies. “When Facebook Platform launched, **we became, by accident, the largest gaming platform in the world** – it was not something we expected.”



Codorniou using Oculus' Crescent Bay headset at Dublin Web Summit in 2014

The social network, which has watched platforms evolve from a website to an operating system to an ecosystem, **plans to be better prepared for the next development**: first to chat services, with the recent launch of Facebook's Messenger Platform, and then to virtual reality, following the company's \$2bn acquisition of Oculus, which Codorniou feels confident will become not just a platform for gaming but also for education, entertainment, shopping and sports.

"That disruption that clearly happened in the world of gaming is happening right now in other industries like e-commerce, media, entertainment, travel and dating, and it's just the beginning," Codorniou said. "Every industry has realised the opportunity and the strength of platform – even banks and food delivery and cleaning services – and that's very new."

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