

FAST TAKE NEWS BRIEF

FACEBOOK ACQUIRES MESSAGING APPLICATION WHATSAPP FOR \$19 BILLION

On February 19th, Facebook announced plans to acquire popular messaging app, WhatsApp. While immediate comparisons were made to an earlier attempt to purchase private messaging app SnapChat, this acquisition has much larger and more favorable possibilities.

WhatsApp currently has 450M **active** users, 72% of which are daily active users in an industry where the standard is 10-20%. This unprecedentedly engaged user base enables Facebook to move closer to its goal of service diversification through new mobile apps, as noted in their most recent earnings call. Additionally, WhatsApp aligns closely with Facebook's goal of making the world more open and increasingly connected.

IMPLICATIONS FOR MARKETERS

Facebook's stated intent in acquiring WhatsApp is based on the desire to create a larger global footprint. The underlying implications are that the collection of more data from a vastly expanded user base will lead to rich insights that can be used to create more efficient and engaging ad experiences and more successful brand/consumer social interactions.

There is no expectation that advertising will be introduced onto WhatsApp. Its founders have been staunchly anti-ad, and Zuckerberg has openly stated that Facebook plans to maintain the app's ad-free status.

WHAT TO EXPECT IN THE FUTURE

- Like Instagram, WhatsApp will remain a separate and distinct brand. However, unlike Instagram, WhatsApp has a direct revenue stream. Though revenue was only an estimated \$23 million for 2013, with WhatsApp adding 1 million users per day and projections stating it will reach 1 billion active users soon, it has the potential to actually be Facebook's first direct, non-advertising source of income.

ABOUT WHATSAPP

WhatsApp is a native mobile application that provides a low-cost, internet based alternative to costly SMS on carrier networks—particularly for international communications.

A robust multimedia communications tool, WhatsApp supports individual and group chats, custom statuses, and allows users to send photos and videos, and share voice notes.

WhatsApp is stated to have "over 450 million" monthly users, with over 70% active on a given day (an increase of 300 million in August 2013).

WhatsApp is "freemium"—the service is free for the first year, and \$0.99 per year afterwards.

The company accepts no advertising.

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- What is of exponentially more value, however, is the expanded global footprint that WhatsApp brings to the table. The insights it can generate will greatly enrich Facebook's trove of consumer data making for not only more effective ads but more effective content and brand/consumer interactions both on and off Facebook. Also, though clear data is not available on WhatsApp demographics, it's reasonable to assume that a good percentage fall into the coveted tweens, teens, and young adult markets that have been said to be eluding Facebook.
- It's also very possible that Facebook might offer brands the opportunity to use WhatsApp as an opt-in marketing tool, similar to SMS, to connect with these and other audiences, with the app's multimedia messaging capabilities baked into individual and branded Facebook accounts, offering both parties an inexpensive, direct, and customizable alternative form of one-to-one interaction.

WHAT DOES THIS MEAN FOR YOUR BRAND?

For brands, this acquisition doesn't have any near-term implications since it will take time for WhatsApp to scale to the kind of volume it promises to achieve and to integrate that data into Facebook's offering in a meaningful way. At this point, it's more a strong indicator for Facebook's advertising partners to take a *buy-and-hold* position; with this investment it has established a global foothold, a vastly expanded audience and the promise of a better product and experience for advertisers and users in the long term.

RELEVANT ARTICLES TO EXPLORE

- <http://www.forbes.com/sites/gordonkelly/2014/02/20/5-key-reasons-whatsapp-is-worth-19bn-to-facebook/>
- <http://www.wpp.com/wpp/marketing/digital/facebook-buys-whatsapp/>
- <http://money.cnn.com/2014/02/19/technology/social/facebook-whatsapp/>
- www.reuters.com/article/2014/02/20/us-whatsapp-facebook-research-idUSBREA1J14A20140220

OVERALL OUTLOOK FOR BRANDS

This acquisition promises richer data to apply to ad products and content, and a larger and more diverse audience of potential customers to connect with, potentially augmenting the overall Facebook experience.

FOR ADDITIONAL INFORMATION, PLEASE CONTACT:

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