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**Topic: Collaboration**

**Issue:** Who are the collaboration providers and how will they evolve?

## Facebook's \$19 Billion Acquisition Of WhatsApp: Value Is In The Users

**Summary:** *The acquisition of WhatsApp can make Facebook a worldwide leader in consumer mobile messaging and communications.*

**Event:** On 19 February 2014, Facebook announced that it would buy mobile messaging service WhatsApp for \$19 billion in cash and stock. WhatsApp co-founder and CEO Jan Koum will join Facebook's board. The deal still awaits regulatory approval.

### Analysis

Facebook is confronting the fact that a growing number of young people use different media to communicate. 450 million people use WhatsApp; 300 million of them use it daily. This was a way for Facebook to stay ahead of consumer mobile usage patterns.

Seeing WhatsApp's rapid growth in mobile messaging, Facebook had to make a move. In the Facebook conference call discussing the acquisition, CEO Mark Zuckerberg said he believed WhatsApp was on pace to reach 1 billion users (see Note 1). Mobility is the big driver here, and we believe this sets the stage for huge battles to be the next Facebook "killer app."

Clearly, the sheer number of WhatsApp users is attractive to Facebook. But even beyond that, this acquisition puts Facebook in a powerful position to rival the telecom providers in mobile messaging. It will make Facebook a leader in mobile messaging, with a huge volume of users to prove it.

This deal is also about communications as a major user interaction medium. Facebook is the leading social network, with a population of users rivaling the largest countries. This deal can make it a leader in worldwide communications as well. WhatsApp is in use across Australia, Europe, Africa and Latin America. I can personally attest that many of my international friends, heavily concentrated in Europe and Latin America, have been using WhatsApp for some time.

### Mobile Messaging Apps

There are other apps similar to WhatsApp like Viber and other popular ones in Asia such as WeChat, which are downloaded by millions of users. Their main capabilities have been free messaging and calls between people or groups. However, none have really figured out how to make mobile messaging a revenue driver with a large number of users to leverage.

These apps will now be acquisition targets, as their valuations increase on the heels of the Facebook-WhatsApp deal. Clearly, others like Google also have a heavy interest in mobile messaging (Google itself tried to buy WhatsApp). Facebook is dropping a major gauntlet that will heat up the mobile messaging wars. Google initially bid \$10 billion for WhatsApp, which Facebook obviously outbid – after previously snatching Instagram away from Google as well.

### The Battle For Users

A major impact of WhatsApp, and mobile messaging as a whole, is that it represents an alternative messaging channel that the telecom providers and mobile carriers don't control. They have traditionally controlled access to

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consumers for all types of goods and services. By circumventing carrier control, messaging apps have impacted the telecom and mobile carriers' market and business. Carriers have had to adjust SMS pricing. The volume of WhatsApp messages comes close to the SMS volume of the telecom industry.

These apps and their networks now control a user access point of their own, independent of the telecom carriers. Having control over the user interaction is big business, and a major disruption to traditional models. We expect more activity from Google and Apple in this space as they all vie to control the distribution channels for user interactions.

### **Challenges**

The future challenge for Facebook will be how to turn its new mobile messaging assets, capabilities and distribution channel into a huge source of revenue. With this enormous number of users, Facebook will need a monetization strategy. Another challenge is the large number of younger users on the WhatsApp network, and the potential that they may prove fickle and leave the network for another.

### **Aragon Advisory**

- While this is initially a consumer play, enterprises have to plan for the mobile impact on unified communication and collaboration initiatives (UCC).
- Investigate enterprise mobile messaging and communication apps like Biba, as part of strategic UCC due diligence.
- Make mobile support a requirement on UCC RFIs and RFPs.

### **Bottom Line**

Consumer players have dominated the mobile messaging space. However, what happens in the consumer space eventually affects the enterprise. With enterprise mobile messaging and communication apps such as Biba set to impact traditional UC, enterprise planners have to get ahead and plan strategically for mobile in UCC initiatives.

### **Note 1: WhatsApp User Details**

WhatsApp currently has 450 million users, and is adding 1 million users a day. 70 percent of its users are active every day.

### **Related Aragon Research**

- [Facebook Home: Good for Users and Android; Bad for Google and Business](#)
- [Messaging Battle Heats Up Between Apple, Facebook and Google: Enterprises Should Pay Attention](#)
- [Facebook Next: Going Beyond Instagram](#)
- [Biba Aims To Disrupt With New Mobile Communications App](#)