Impact of WhatsApp on Facebook
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Abstract
Social Networks have undergone a dramatic growth in last few years. Such social networks provide an extremely suitable space to instantly share multimedia information between individuals and their neighbours in the social graph. Social Networking Internet services are changing the way we communicate with each other's, entertained and actually live. Social Networking is one of the primary reasons that many people have become avid Internet users; people who until the emergence of social networks could not find interests in the web. This is a very live clue of what is really happening online. Facebook is ranked as one of the most visited sites in the world, with settled than 500 million subscribed users to date. Whatsapp is one of the change in technology that is commonly used on specific mobile phones, smart phones and computers. Since the Smartphones became popular, many messaging services were launched but Whatsapp has become very popular among them. The service is free for one year and after that a very small amount is charged yearly. We present a study of Facebook and WhatsApp and its analysis. Daily, Monthly ratings of WhatsApp and Facebook is also mentioned. We focus on the reasons why Facebook owned WhatsApp at $19 billion.

Keywords: MAU and DAU Ratings, Motive behind Facebook’s acquisition of WhatsApp, Reasons why Facebook paid for WhatsApp, Effects of WhatsApp.

Introduction
Online social networks are currently one of the most popular Internet activities, recently even eclipsing email usage. More than two-thirds of the global online population visit and participate in social networks, confirming its worldwide popularity. Two of such networking sites which are most popular are Facebook and WhatsApp. WhatsApp was launched in 2009 five years after Facebook and three years after Twitter. Facebook is still the dominant site in this area, but WhatsApp is growing at a faster rate i.e. more than one million registered users per day. If this keeps up, it should cross the 500 million MAU in coming few days. With 450 million monthly users and a million more signing up each day, WhatsApp is just too far ahead in the international mobile messaging race for Facebook to catch up.

Some ratings of WhatsApp and Facebook are mentioned below:

1. Rating of Monthly Active Users(MAUs):
   - Facebook's MAUs: 1.23 billion as of Dec. 31, 2013.
   - WhatsApp's MAUs: more than 450 million as of March 20, 2014.

2. Ratings of Daily Active Users(DAUs):
   - Facebook's DAUs: 757 million on average for December 2013
   - WhatsApp's DAUs: approximately 315 million (currently)
   - Twitter's DAUs: 100 million DAUs in October 2013.

No exact number was provided for WhatsApp's DAUs, but Facebook said that almost 70 percent of its MAUs are active on a given day (70 percent of 450 million equals 315 million). This is a higher percentage of DAUs than Facebook (roughly 60 percent of its users sign in daily) and Twitter (which had 218 million MAUs in October more than double its DAUs). To be fair, WhatsApp has a number of inherent advantages. Unlike Facebook, which are full-fledged social networks, WhatsApp is a high end replacement for text messages. Using WhatsApp users can easily share photos and videos. And since it uses data (not a texting plan), the $0.99 annual fee is easy for users to swallow.


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Facebook and Twitter are currently free, but users of Facebook and Twitter do not sign in every day. However, you'd be hard-pressed to find a Smartphone user who doesn’t send at least one text a day. Users can play online games using Facebook while WhatsApp does not support these features.

**Motive Behind Facebook’s Acquisition Of Whatsapp**

Inspite of many new ideas, themes are being implemented in social media only, so it seems that people are pretty much comfortable with these messaging services provided by WhatsApp. Can you guess the reason behind this? It’s because that WhatsApp allows user to chat with people who are closer to them. How does it do that? The simple and the most obvious reason is that these messaging services use the contacts.

Facebook can break into the address book of a person as it has its control over WhatsApp now. Evidently, this is one of the easiest ways to optimize the content that appears on the screen by featuring only those which the users would be interested in. An average Facebook user has more than 300 friends. Till now, Facebook’s only motive was to develop the circle of friends a user has. The thing to be noted is that Facebook has already revealed that future social networking will be aimed at making communication between people very efficient between people who are close and have one’s phone number in the address book of the other.

Social networking sites like Google+, Facebook and Twitter encourage its users to share their ideas, life events photos and videos on their wall, which is available to all his/her friends. According to a research, people are more interested in chatting with close people and often just one at a time the reason behind WhatsApp gaining 450 million users and 70% of them always active, something very disputable to what happens at Facebook.

WhatsApp, the best and most viral among messaging apps, as we all know it has access to our address book. This might be the main logic behind Facebook investing $19 billion to buy it. Facebook wanted to increase communication between a user and his family, along with his friends, very comfortably. So, by using WhatsApp, the social media immence can break into the address book of a user, thus increasing access to his/her contacts, resulting in the improvement of the social networking experience.

WhatsApp grew because “WhatsApp is a service developed for very quick and reliable real time communication with all your fellow contacts and small groups of people. It also enhances our service and will add a value to our community”.

### Reasons Why Facebook Paid For Whatsapp

There are 5 Key Reasons why Facebook overpaid for WhatsApp (and doesn’t understand the messaging service space), the reasons are:

1. **WhatsApp user engagement should not be compared with Facebook’s (or of any other social graph service)**
   Much has been made of the 70% user engagement level of the service, which is higher than Facebook’s which in itself clock in a pretty damn impressive 61%. However, comparing WhatsApp’s instant messaging service in reality an infrastructure service with the engagement on a social graph network such as Facebook or Google+ is comparing apples. The relevant comparison would be iMessage, SMS messaging and other base/support services.

2. **The users of WhatsApp do not want to pay for messaging**
   Facebook’s analysts call that messaging is a “really valuable service that people are willing to pay for”. WhatsApp has specifically dragged the users who are NOT willing to pay for messaging but instead are seeking refuge from telecoms who sucked SMS and MMS charges from its subscribers back in the day. Looking at the swing of games and services cluttering the competition, as LINE, WeChat etc it becomes clear that WhatsApp has offered a cleaner service targeting the über-scrooges amongst the mobile consumers. The person who wants it cleans, with no ads.

3. **WhatsApp’s users do not like ads**
   There will be no ads introduced to WhatsApp at least if we are to believe the promises made by WhatsApp CEO Jan Koum. Marc Zuckerberg believes the users can be monetized in other ways, without getting too specific about this. It has so far not been highly original or profitable (well, its early days). Either way, for the next five years WhatsApp will concentrate on attracting even more users who doesn’t like advertising.

4. **The service does not have its own graph**
   WhatsApp does not store your network of connections, but instead uses the contact list of your phone. As like WhatsApp, Facebook does not have a contact list of its own. Whenever one of your contacts in contact list changes their phone number, you will have to modify their information or lose touch.

5. **Hypothetical revenue estimates**
   South Korean competitor Kakao Talk estimates its 2014 revenues at 200 mUSD with 130 million users – an ARPMAU of $0.13. Theoretically, if WhatsApp achieved similar revenue per user as KakaoTalk, WhatsApps credits could have reached 600 mUSD for 2014. The revenue will stay hypothetical.
Facebook demonstrates its willingness to invest, but has not demonstrated a vision of understanding the mobile messaging service space. WhatsApp is the greatest player in terms of users, but is also ultimate from getting anywhere near monetizing its user base. If Facebook thinks messaging is "a really valuable service" to quote they certainly need to rethink their strategy for messaging one more time.

Everyone who Thinks Facebook Is Stupid to Buy WhatsApp For $19 Billion Should Think Again. Even for Facebook, that's a staggering amount to pay for a company with estimated 2013 revenue of only $20 million. It represents almost 10% of Facebook's overall value. But Facebook buying WhatsApp for $19 billion isn't brain dead. Like other bold moves, Facebook's and WhatsApp deal could end up looking brilliant. Here are some reasons behind it:

- **WhatsApp has both offensive and defensive value to Facebook.** WhatsApp is the rapidly growing company in history i.e. in terms of their Users. If the company's growth continues, and it can continue to "monetize" its users, it will be worth an even more mind boggling amount of money someday. At the same time, WhatsApp's growth is growing up user messaging and connection time that once could have belonged to Facebook. So buying WhatsApp allows Facebook to both own "the next Facebook" and prevent "the next Facebook" from eating Facebook's lunch.

- **WhatsApp's growth and usage is absolutely mind boggling.** Five years after its founding, the company has 450 million active monthly users, of which a staggering 315 million uses it every day. WhatsApp is adding 1 million new users a day in 2014. Facebook thinks WhatsApp could have 1 billion users in a few years, and this estimate seems conservative. As we know Facebook itself only has 1.2 billion users. WhatsApp also has a lot more than "text-messaging." It allows users to send videos, photos, and voicemails to each other and maintain the conversations forever. In short, it allows users to do a lot of what Facebook does.

- **WhatsApp already has a powerful revenue model and other successful messaging apps are showing the potential for it to add many more.** WhatsApp ostensibly charges its users $1 per year after the first year. ("Ostensibly" because I've never heard of anyone actually paying this $1). Assuming most current users end up paying the $1/year, that's a potential revenue stream of several hundred million dollars a year from WhatsApp's current revenue model alone. Meanwhile, other messaging apps like Line and WeChat have demonstrated the power of "stickers," user-to-user payments, ecommerce, and other revenue streams. When you have as many users as WhatsApp, generating even only a few dollars per year per user creates a massive business.

- **WhatsApp has very low costs, so it should eventually be wildly profitable.** WhatsApp currently has only 55 employees. Assuming an all-in cost of $200,000 per employee, that's a total cost base of $11 million. Let's assume WhatsApp grows to, say, 300 employees over the next few years. Then it will have a cost base of only $50-$75 million. Meanwhile, if the company's growth continues, it could easily be pulling in more than $1 billion a year of revenue in a few year.

### Effects Of Whatsapp

- Numbers of Internet users has increased due to WhatsApp.
- Numbers of Smartphones users has also increased.
- Contribution of Youth in social affairs has increased a lot as compared to the previous years.
- Due to WhatsApp the sharing of information has increased in rural areas.
- Performance and speed of delivering messages has been increased as shown be

Conclusion

In conclusion, we can conclude that WhatsApp is becoming more popular day by day due to its better performance in sharing of images, video, messages and latest status than Facebook. WhatsApp has one of its main advantage that it doesn’t include ads in its application. Using WhatsApp users can interact only with those peoples which are present in their contact list.

References

