

Into the fold? What's next for Instagram as founders leave

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In this April 7, 2011, file photo, CEO Kevin Systrom, at left, chats with engineers Shayne Sweeney, center, and Mike Krieger at Instagram in San Francisco. In a statement late Monday, Sept. 24, 2018, Systrom said in a statement that he and Krieger, Instagram's chief technical officer, plan to leave the company in the next few weeks and take time off "to explore our curiosity and creativity again." (AP Photo/Marcio Jose Sanchez, File)

When Kevin Systrom and Mike Krieger sold Instagram to Facebook in

2012, the photo-sharing startup's fiercely loyal fans worried about what would happen to their beloved app under the social media giant's wings.

None of their worst fears materialized. But now that its founders have announced they are leaving in a swirl of well wishes and vague explanations, some of the same worries are bubbling up again—and then some. Will Instagram disappear? Get cluttered with ads and status updates? Suck up personal data for advertising the way its parent does? Lose its cool?

Worst of all: Will it just become another Facebook?

"It's probably a bigger challenge (for Facebook) than most people realize," said Omar Akhtar, an analyst at the technology research firm Altimeter. "Instagram is the only platform that is growing. And a lot of people didn't necessarily make the connection between Instagram and Facebook."

Instagram had just 31 million users when Facebook snapped it up for \$1 billion; now it has a billion. It had no ads back then; it now features both display and video ads, although they're still restrained compared to Facebook. But that could quickly change. Facebook's growth has started to slow, and Wall Street has been pushing the company to find new ways to increase revenue.

Instagram has been a primary focus of those efforts.

Facebook has been elevating Instagram's profile in its financial discussions. In July, it unveiled a new metric for analysts, touting that 2.5 billion people use at least one of its apps—Facebook, Instagram, WhatsApp or Messenger—each month. While not particularly revealing, the measurement underscores the growing importance Facebook places on those secondary apps.

Facebook doesn't disclose how much money Instagram pulls in, though Wedbush analyst Michael Pachter estimates it'll be around \$6 billion this year, or just over 10 percent of Facebook's expected overall revenue of about \$55.7 billion.

Facebook CEO Mark Zuckerberg has long seen Instagram's promise. At the time, it was by far Facebook's largest acquisition (although it was dwarfed by the \$19 billion Zuckerberg paid for WhatsApp two years later). And it was the first startup allowed to operate mostly independently.

That has paid off big time. Not only did Instagram reach 1 billion users faster than its parent company, it also succeeded in cloning Snapchat's popular "Stories" feature, dealing a serious blow to that social network upstart and succeeding where Facebook's own attempts had repeatedly failed. Instagram also pioneered a long-form video feature to challenge YouTube, another big Facebook rival.



In this Tuesday, June 19, 2018, file photo, Kevin Systrom, CEO and co-founder of Instagram, prepares for an announcement about IGTV in San Francisco. In a statement late Monday, Sept. 24, 2018, Systrom said in a statement that he and Mike Krieger, Instagram's chief technical officer, plan to leave the company in the next few weeks and take time off "to explore our curiosity and creativity again." (AP Photo/Jeff Chiu, File)

Recently, Instagram has been on a roll. In June, Systrom traveled to New York to mark the opening of its new office there, complete with a gelato bar and plans to hire hundreds of engineers. Only a month earlier, Instagram had moved into sparkly new offices in San Francisco. In a July earnings call, Zuckerberg touted Instagram's success as a function of its integration with Facebook, claiming that it used parent-company infrastructure to grow "more than twice as quickly as it would have on its own."

But Instagram has also been a case study in how to run a subsidiary independently—especially when its parent is mired in user-privacy problems and concerns about election interference, fake news and misinformation. And especially when its parent has long stopped being cool, what with everyone and their grandma now on it.

Instagram's simple design—just a collection of photos and videos of sunsets, faraway vacations, intimate breakfasts and baby close-ups—has allowed it to remain a favorite long after it became part of Facebook. If people go to Twitter to bicker over current events and to Facebook to see what old classmates are up to, Instagram is where they go to relax, scroll and feast their eyes.

So, will that change?

"I don't think Zuckerberg is dumb," Akhtar said. "He knows that a large part of Instagram's popularity is that it's separate from Facebook."

As such, he thinks Facebook would be wise to reassure users that what they love about Instagram isn't going to change—that they are not going to be forced to integrate with Facebook. "That'll go a long way," he said.

Internally, the challenge is a bit more complicated. While Systrom and Krieger didn't say why they're leaving, their decision echoes the recent departure of WhatsApp's co-founder and CEO Jan Koum, who resigned in April. Koum had signaled years earlier that he would take a stand if Facebook's push to increase profits risked compromising core elements of the WhatsApp messaging service, such as its dedication to user privacy. When Facebook started pushing harder for more revenue and more integration with WhatsApp, Koum pulled the ripcord.

One sign that additional integration may be in Instagram's future: Zuckerberg in May sent longtime Facebook executive Adam Mosseri to run Instagram's product operation. Mosseri replaced longtime Instagrammer Kevin Weil, who was shuffled back to the Facebook mothership.

That likely didn't sit well with Instagram's founders, Akhtar and other analysts said. Now that they're gone as well, Mosseri is the most obvious candidate to head Instagram.

"Kevin Systrom loyalists are probably going to leave," Akhtar said.

Which means Facebook may soon have a new challenge on its hands: Figuring out how to keep Instagram growing if it loses the coolness factor that has bolstered it for so long.

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