

Facebook's messaging ambitions amount to much more than chat

March 12 2019, by Anick Jesdanun And Rachel Lerman



In this April 12, 2016, file photo, new features of Messenger are displayed during the keynote address at the F8 Facebook Developer Conference in San Francisco. Facebook is already the leader in enabling you to share photos, videos and links. It now wants to be a force in messaging, commerce, payments and just about everything else you do online. (AP Photo/Eric Risberg, File)

Facebook, already the leader in enabling you to share photos, videos and links, now wants to be a force in messaging, commerce, payments and

just about everything else you do online.

The company's ambitions harken to how WeChat has become the centerpiece of digital life in China, where people use it to order movie tickets, subway passes, food delivery and rides. If Facebook succeeds in turning its own messaging services into a platform for everything, it could ultimately threaten established services such as Snapchat, Yelp, Venmo, eBay and even Apple and Amazon.

"It's clear that Facebook does have very broad ambitions here," said Bob O'Donnell, president and chief analyst at Technalysis Research. "Their goal is to be the WeChat of everywhere but China."

But Facebook faces numerous hurdles. A key one is restoring user trust, following a string of privacy failures that include the sharing of personal information from as many as 87 million users with a consulting firm affiliated with Donald Trump's campaign. And any change may cause users to rethink their relationship with Facebook.

"Facebook has a lot of momentum but it's not completely invincible," said Roger Kay, an analyst at Endpoint Technologies Associates. "People came to Facebook for a particular thing. Offer them a different thing, and they're likely to re-evaluate whether they want to be there at all."

After all, Friendster and Myspace came and went as Facebook grew. Yahoo and AltaVista moved over for Google. And remember when AOL was popular, powerful and rich enough to buy the traditional media company Time Warner? Both AOL and Yahoo are now fading brands within Verizon.

After building an advertising-supported service that depends on vacuuming up data on your hobbies, interests and [political views](#), CEO Mark Zuckerberg announced last week that Facebook will now

emphasize ways for small groups to communicate in a truly private fashion.

This involves scrambling all messages in WhatsApp, Instagram Direct and Messenger so that even Facebook itself can't read them. Facebook will also let messages automatically disappear after a set amount of time, something rival Snapchat already does.

Facebook, Zuckerberg said, will "then build more ways for people to interact on top of that, including calls, video chats, groups, stories, businesses, payments, commerce, and ultimately a platform for many other kinds of private services."

Facebook declined to further elaborate on its ambitions, and a spokeswoman reinforced that it is early in the process. But there are clues in what Chinese tech giant Tencent has already done with WeChat in China. WeChat combines functions that are typically done by separate companies elsewhere—think of Facebook and its messaging services combined with PayPal and Uber. People use WeChat to buy goods in retail stores, split restaurant bills with friends, pay utility bills, donate to charities and hail rides from the Uber-like Didi Chuxing service.

Facebook already lets people send money to other individuals through Messenger in the U.S. and a few other countries and is testing payments through WhatsApp in India. The New York Times reported that Facebook is also developing its own digital currency to make it easier for users to send money to their messaging contacts.

Facebook didn't offer many details on its digital currency endeavors, but said a "new small team" was looking for ways to make use of the type of technology powering bitcoins and other cryptocurrencies.

While the current payment options require linking Facebook to bank

accounts or services such as PayPal, a digital currency could potentially work without them. That could appeal to users, especially in Asia and Africa, with limited access to banking services, said Avivah Litan, a Gartner analyst who specializes in security and payments.

And it would solve a key challenge with commerce on phones. Litan said entering credit card details on a phone is cumbersome, and businesses often lose customers before they complete orders. If Facebook can integrate payments into messaging, it can keep users within Facebook and convince advertisers they're more likely to complete sales.



In this Nov. 15, 2018, file photo the icons of Facebook and WhatsApp are pictured on an iPhone in Gelsenkirchen, Germany. Facebook is already the leader in enabling you to share photos, videos and links. It now wants to be a force in messaging, commerce, payments and just about everything else you do online. (AP Photo/Martin Meissner, File)

Facebook could also diversify revenue beyond advertising. For instance, it could take a commission, whether for newspaper subscriptions or food deliveries, much as Apple already does with a cut of up to 30 percent for app payments.

Kay said messaging could become one-stop shop for Yelp-like business reviews, OpenTable restaurant reservations, on-demand delivery similar to Uber and a marketplace akin to eBay—the latter being something Facebook already offers on its main app. Amazon might be tougher to challenge, he said, given the company's expertise in delivery logistics, but there might be pieces such as grocery delivery that Facebook can go after.

Nonetheless, potential Facebook rivals need not pack up yet. Zuckerberg's blog read as a manifesto, a list of things he wants to implement, and it's unclear how much will actually get executed, eMarketer analyst Debra Aho Williamson said. She said it's too soon for competitors to start drastically adapting.

"You cannot be blasé about anything Facebook says or does," she said. "But I think there is certainly time to see how this all plays out."

There also might be room for Facebook to sit alongside existing services. Facebook might turn to OpenTable within messaging, for instance, rather than build its own service for dinner reservations.

"It depends on what exactly the product looks like and how differently useful it is for different kinds of audiences," said Brian Wieser, an executive at the advertising consultancy GroupM. "It's not necessarily a zero-sum game."

For now, analysts say, potential competitors need to pay attention and be ready to adapt once details are out. Businesses that ignore the threat do

so at their own peril.

Potential rivals can also start emphasizing how they are different from Facebook—as Apple is doing by stressing privacy protections in its devices and services. O'Donnell added that those in payments need to make sure their services are compelling and easy to use so that they can compete with whatever Facebook brings.

Apple, Amazon, Yelp, eBay and OpenTable didn't immediately respond to messages for comment. Snap and PayPal, which also owns Venmo, declined to comment.

The most immediate threat Facebook poses is to other messaging services. Apple's iMessage is popular on iPhones, but there's no version for Android. Facebook could look more appealing as it breaks down walls and makes its three discrete messaging services work together as though they were one.

Snapchat, meanwhile, has struggled since Facebook and its Instagram [service](#) copied a feature for posting temporary "stories" that disappear after 24 hours. Zuckerberg dedicated a section of his blog announcement to "reducing permanence," suggesting that Facebook will now take on Snapchat's core feature of letting photos "disappear" after a set number of seconds.

"It's yet another example of Facebook trying to attack Snapchat," BTIG analyst Rich Greenfield said.

But whether Facebook succeeds will depend on how many people are willing to move their conversations. Greenfield said Snapchat has a lock on its core, younger audience.

Facebook's plan may face external competition of its own. Unlike

WeChat, Facebook faces new privacy regulation in Europe and calls for more controls in the U.S., Forrester analyst Jessica Liu wrote .
Zuckerberg is trying to strike an "impossible balance" between capturing more of users' time, appealing to advertisers and appealing to regulators.

"Zuckerberg can't have his cake and eat it, too," she wrote.

© 2019 The Associated Press. All rights reserved.

Citation: Facebook's messaging ambitions amount to much more than chat (2019, March 12)
retrieved 19 April 2024 from

<https://phys.org/news/2019-03-facebook-messaging-ambitions-amount-chat.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--