

## Facebook deal sends message to WhatsApp's Asia rivals

February 21 2014, by David Watkins

---



Facebook's stunning \$19 billion deal for messaging service WhatsApp places the social network in an arena where competition is fierce, particularly in Asia, where fast-growing chat rivals dominate their home markets

Facebook's stunning \$19 billion deal for messaging service WhatsApp places the social network in an arena where competition is fierce, particularly in Asia, where fast-growing chat rivals dominate their home markets.

The multi-billion dollar valuation of WhatsApp is based on expectations that its 450 million monthly [users](#) will eventually pass one billion, powering the social network's drive into the fast-growing mobile space—particularly in emerging markets, where the simplicity of the messaging app can thrive on less expensive phones.

But it is not the only service gaining traction around the world, particularly in parts of Asia, where players such as WeChat in China, Kakao Talk in South Korea and Line in Japan dominate—and, according to analysts, show greater potential for making money given their different products and strategies.

While WhatsApp, which is free to download but charges users \$1 per year, is popular in some Asian markets such as Hong Kong and Singapore, services such as Line, WeChat and Kakao have also expanded around the region and beyond.

"Mobile-messaging apps are growing fast in Asia," noted Elinor Leung and Seung-Joo Ro in a report for regional brokerage CLSA.

"While Facebook dominates the US, mobile-messaging apps such as WhatsApp, Line and WeChat have rapidly taken over Asian SNS ([social networking service](#)) markets, especially in the emerging markets."

WhatsApp currently has a larger base than each of the three Asian services but they are growing fast, particularly when it comes to emerging markets, where smartphones or less expensive "feature" phones are seeing explosive growth.

CLSA noted that "Asian mobile-messaging apps like Tencent's WeChat and Naver Corp.'s Line should be valued at a premium to WhatsApp with their wider service offerings and higher revenue potential from games to e-commerce and payment."

WeChat is currently valued by CLSA at \$35 billion and Line at \$14 billion.



The apps (L, TOP-R, BOTTOM) Line, ChatOn, WeChat, Yaxim, ChatSecure, WhatsApp, Facebook, Hangouts, Threema, Skype, Viber and IM+ are arranged on the display of a smartphone in Berlin, Germany, 20 February 2014

Global social messaging volumes are expected to reach 69 trillion and subscribers to such services 1.8 billion by the end of 2014, according to data from market research firm Ovum.

"In SouthEast Asia there is a huge tussle for market share," Neha Dharia of Ovum told AFP.

"WhatsApp will be able to claim the Facebook share of those markets as

well, making it hard for these other guys to grow."

## **WeChat**

WeChat, or "Weixin" in Chinese, is a free instant messaging and social media mobile application developed by Chinese Internet giant Tencent and officially launched in January 2011.

It has not only become a popular mobile communications tool in China—where Facebook is mostly blocked and WhatsApp usage is comparatively low—but has also attracted tens of millions of users in overseas markets.

The Facebook deal values active WhatsApp users at \$42 a piece. According to analysts with Japan's Mizuho bank, WeChat is worth twice that amount "on the back of its gaming, [commerce] and mobile payment potential".

WeChat's number of monthly active users worldwide reached 272 million by the end of September last year, more than doubling from a year earlier amid a drive to attract more users in countries such as India, Spain and South Africa.

WeChat provides text, photo, video and voice messaging services on major mobile platforms. It also offers games, online payments and taxi booking.

## **Line**



A news ticker announces shares of Facebook are declining after it announced its acquisition of WhatsApp, on Times Square in New York, February 20, 2014

Launched in 2011 as an instant message and free voice call app, Line—whose parent company is South Korea's Naver Corp.—has grown to 350 million users worldwide and aims to hit 500 million this year.

Its user-friendly interface and voice communication capacity have helped it become one of the most successful apps in Japan, while also seeing popularity in Thailand, Taiwan, Spain and Latin America.

The app is best known for "stickers"—cartoon-like images purchased by users, sales of which are core to Line's revenues.

## **Kakao Talk**

Launched in 2010, Kakao Talk is used by 95 percent of South Korea's smartphone users and boasts 130 million users worldwide. It is reported to be preparing for an initial public offering next year that could value it at \$2 billion.

The free app allows users to send messages, pictures, soundbites and video via the Internet, either on WiFi or through cellphone networks.

Gifts can be bought using Kakao's online shopping facilities, a feature that helped push revenue last year to 230 billion won (\$215 million) from 46 billion won a year ago.

It is eyeing Southeast Asian markets including Malaysia, the Philippines and Indonesia where it is fighting for market share against Line and WeChat.

## **Viber**

Developed by Cyprus-based Viber Media, which was founded in 2010, the service boasts 280 million users and was recently purchased by Japanese IT firm Rakuten for \$900 million – or roughly \$3 per user. It allows free text messages and phone calls as well as video messaging. It recently launched a service allowing desktop users to call non-Viber users' mobile phones, in a challenge to Skype, owned by Microsoft.

Analysts have questioned whether it can make more money from customers in the same way that the likes of Line and WeChat have, leading to Rakuten's share price plunging as much as 13 percent on the first trading day after it announced the deal.

© 2014 AFP

Citation: Facebook deal sends message to WhatsApp's Asia rivals (2014, February 21) retrieved 19 September 2024 from <https://phys.org/news/2014-02-facebook-message-whatsapp-asia-rivals.html>

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.