



WhatsApp

By Russ McGuire - russ.mcguire@gmail.com

Last month Facebook announced they were acquiring mobile application company WhatsApp for a record \$19 billion. Obviously, Facebook sees value in what the company is doing. Is there value for churches and ministries? [Upfront Disclaimer: I am actively involved with [CXfriends](#), a Facebook competitor.]

What is WhatsApp?

WhatsApp, Inc. is a startup mobile application company founded by two Yahoo veterans in 2009. They have built one product, the WhatsApp mobile messaging application, which is available on Android, iPhone, Windows Mobile, Blackberry, and Nokia smartphones. Nearly half a billion people worldwide use WhatsApp to communicate with their friends and family. The app is free for the first year of use and does not have any ads. To keep using it beyond the first year, users pay 99 cents per year.

The app makes it easy for users to send messages to their friends. These messages can include attachments including location data, photos, videos, and voice messages. Your account is identified by your

mobile phone number and the app uses your phone's address book to make it easy to find friends who are already using WhatsApp.

Why is WhatsApp so popular?

In the United States, many cellphone plans have moved towards including unlimited text messages, but in most parts of the world, consumers are charged for each message they send or receive (typically about 10 cents per message). WhatsApp provides the same functionality over a basic mobile data connection (or WiFi) with no fees. WhatsApp is also generally more user friendly and more attractive than standard text messaging apps. Since WhatsApp isn't constrained by the "lowest common denomina-

tor” standards defined for global text messaging (so that texting will work across all devices across all networks), the company is free to innovate to create features and capabilities not available with standard texting.

For some mobile phone companies, WhatsApp has become a real thorn in their side. I’ve heard that, in some countries, 70% of smartphone owners use WhatsApp instead of text messaging. According to Experian, U.S. smartphone owners between 18 and 24 years of age send an average of over 2000 text messages per month. By using WhatsApp, that translates into over \$200 in potential lost revenue per month per user. Of course, no one would (knowingly) send that many texts unless they were on an unlimited plan, so in countries where users pay for each message sent, WhatsApp has allowed them to “catch up” with the rest of the world. Which really points to the underlying value of communicating.

Why is Facebook willing to pay \$19B for WhatsApp?

It’s amazing that WhatsApp has half a billion users. But, if you do the simple math, without any advertising revenue, and charging less than a dollar per year, it’s pretty clear that the company’s annual revenue is well less than \$1B. Even with the app’s reported growth of 1 million new users per day, and even considering planned new services, it will take a long time for the customer base, and associated revenue, to get anywhere near a level that justifies the hefty price Facebook is paying. So, what’s the deal?

I think there are two main drivers to Facebook’s outlandish valuation.

The first is simply the value of gaining mobile users. Even though Facebook has twice as many active users as WhatsApp, WhatsApp is growing more than twice as fast as Facebook. While WhatsApp has a single revenue model, Facebook has multiple revenue models, and bringing those hundreds of millions of new users into the fold has the potential to drive significantly more revenue than WhatsApp could generate on its own.

The second driver is the chang-

ing nature of communications. Facebook is already disrupting how people communicate. Increasingly, people simply message, call, or even video with their friends directly through Facebook (or other social networks) rather than searching for their e-mail address or phone number. However, messaging-specific apps like WhatsApp are disrupting Facebook. According to some [recent analysis](#), Facebook has lost as many as 11 million high school and college users since 2011. It’s not that these people have stopped communicating with their friends. Instead, they seem to value the direct link that is at the core of apps like WhatsApp over the “shouting in a crowd” approach that is central to Facebook’s news feed. Just as college and high school students helped define and refine Facebook’s initial value proposition, the company realizes they need to learn from this demographic if they are going to continue to grow and generate increasing value.

How can ministries use WhatsApp?

One of the features that WhatsApp offers that isn’t built into basic text messaging is Group Chat. A group is created by one person (e.g. a Youth Pastor) who becomes the administrator. Only this person can



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add and remove people from the group, but then all members can message with the group. For any collection of WhatsApp users, this can be a great way to communicate with and amongst group members.

What is dangerous about WhatsApp?

There are many things to like about the approach that WhatsApp has taken. They have turned away from ads, which we certainly don't need to bombard our youth with. They also seem to take privacy protection seriously. However, as with

nearly all social networking tools, they have no sense of family values and parental authority. Inappropriate conversations and exchanges of photos and other content can easily go undetected by mom and dad. Parents should view these apps with caution and find ways to monitor what their kids are doing. Better yet, check out family-friendly Christian alternatives (like [CXfriends](https://cxfriends.com)).

Looking forward, WhatsApp will likely become even more dangerous for Christian families. Facebook is dependent on the revenue that comes from

bombarding users with enticing ads, and the company certainly has shown little commitment to protecting user privacy. The best we can hope for is that perhaps government regulators will put conditions on approval of the acquisition that may force Facebook to treat their customers with more respect.

This is one that is worth watching. As Jesus warned His disciples in Luke 26:41 "Watch and pray, lest you enter into temptation. The spirit indeed is willing, but the flesh is weak."

It is my hope and prayer that these articles on the power and danger of technology will encourage you in your daily walk with Christ. Whether it is the printing press, radio, television, personal computers, the Internet, the Cloud, smartphones, or messaging apps, new technologies continue to advance our ability to know God and to serve Him, wherever we go.

Russ McGuire is an executive for a Fortune 100 company and the founder/co-founder of three technology start-ups. His latest entrepreneurial venture is CXfriends (<https://cxfriends.com>), a social network for Christian families.

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