

A portrait of Liam Brennan, Global Director of Innovation at MediaCom, is positioned on the right side of the page. He has dark hair, a mustache, and a goatee, and is wearing a light blue button-down shirt under a dark suit jacket. The background of the entire page is a solid teal color.

# Facebook isn't just becoming WeChat – it's aiming to become the digital platform of the future

OPINION

LIAM BRENNAN, GLOBAL DIRECTOR OF INNOVATION, MEDIACOM 24 JUL 2019

The platform's future involves services, retail and financial transactions, says Liam Brennan, Global Director of Innovation, MediaCom

Facebook may be facing a lot of challenges, but a falling share price is no longer one of them. Recently, its annual F8 conference showed a company trying to solve its problems by moving the business from ['public' to 'private'](#). And its recent announcement of stewardship of a new 'online currency' – [Libra](#) – shows a company looking beyond social media for revenue growth.

Comparisons with Tencent's WeChat were inevitable. Facebook sees user and platform growth coming from mobile (Instagram and WhatsApp) and is looking to create a 'digital ecosystem' of applications, built around mobile and messaging, with a connected data

backend – just like WeChat.

Facebook isn't trying to become a 'Western WeChat', however, but it does want to boost its non-ad revenue streams. It knows additional revenue is essential and is seeking to move its business model beyond advertising into services, retail, and in the future, financial transactions.

That's not surprising, because advertising revenue growth comes from four places – more users, more time spent (i.e. more impressions to sell), more ad products or higher media cost. With stalling/falling user numbers, a cluttered newsfeed and media inflation, none of these options seems viable for a Facebook of the future.

For the advertising industry, this shift is hugely disruptive. Facebook has been a backbone of digital inventory supply for years, but this is part of a wider shift for 'digital' media away from a 'paid' opportunity and towards a future that is consumer-centric and increasingly tech-focused.

### 'World in your pocket' functionality

Tencent's WeChat is a 'Chinese Swiss Army Knife' – a gateway to services ranging from social messaging to banking. Its home screen facilitates a simple user experience, but its connected data backend integrates offline and online via QR codes and payments, allowing for greater personalisation.

Facebook's platform changes replicate this functionality but in a more limited way:

**A focus on the Individual** – A shift to one-to-one messaging or groups rather than broadcasting, and users connected/tracked by one deterministic ID;

**A gateway to services** – Facebook Watch/Instagram TV, an enhanced camera, dating services, chatbots (for service and business). It's going beyond 'social' media; and

**Online/Offline Commerce** – Shoppable functionality in Instagram (and Facebook), AR

functionality for 'real world' shopping via phone and a payment service/currency (Libra).

Aside from Facebook Watch/Instagram TV, none of these new features have paid advertising opportunities. By pivoting to a 'service' and 'commerce' model, like WeChat, Facebook will unlock new incremental revenue streams and add value to the consumer experience – while also limiting paid media opportunities for advertisers.

## Finding future growth

It's important to remember that Facebook is primarily a mobile company. It now dominates the landscape with four out of the top five mobile apps in the Apple App and Google Play stores.

Smartphones are our first screens now – in terms of screen time, audience reach and access throughout the day, and, significantly, in terms of ad-spend. In fact, IAB UK recently announced that [51% of all UK digital ad-spend is on mobile devices](#). The launch of 5G in 2020/21 will only bring more revenue opportunities through hi-def streaming on mobile.

The next era of 'digital' will be private and personalised and ad-space will be limited. That's why Facebook is looking to capture future opportunities from the 'shopping newsfeed' – for example linking broadcast media through to transaction on platform.

Right now, Amazon may be the dominant online retailer, but Instagram is becoming the shop front for the 'long tail', capturing retail transactions from small businesses, DTC brands and traditional brands' eCommerce sites, with Facebook taking a small 'sales tax' on each item sold. Its new business model demands a larger share of the retail business.

## Building a different Facebook

Whether or not these changes succeed will be determined by how Facebook addresses issues around trust and privacy. Unlike the Chinese, who have much greater trust in Tencent and WeChat (which both have government support), few North American or

European audiences would trust Facebook as a jumping-off point for their ‘digital activity’. And already, Libra has seen some [strong opposition](#) from governments and central banks.

That’s not a global issue, however. In developing regions like Southern Asia and Africa, Facebook-owned properties are the ‘base’ platforms for day-to-day internet usage, while 57% of [Americans don’t even know](#) Facebook owns Instagram or WhatsApp. Such markets and platforms will be key to Facebook’s future growth beyond ‘video advertising’.

In [his recent speech to the ANA](#), P&G’s Chief Brand Officer Marc Pritchard’s argued that while retrofitting social channels for media and advertising will provide reach and cash flow for the tech companies, ultimately, these platforms were built for social communication and remain challenging environments for brands.

Facebook’s evolution may address some of these concerns, but as a public company, they are motivated by revenue and need to look beyond advertising for long term growth. Brands will still need to rethink how they influence consumer decisions in Facebook’s owned environments and beyond. Increasingly, the solutions will not always be paid media.

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