



EUROPEAN COMMISSION

PRESS RELEASE

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Mergers: Commission approves acquisition of WhatsApp by Facebook

The European Commission has authorised, under the EU Merger Regulation, the proposed acquisition of WhatsApp Inc. by Facebook, Inc., both of the United States. Facebook (via Facebook Messenger) and WhatsApp both offer applications for smartphones (so-called "apps") which allow consumers to communicate by sending text, photo, voice and video messages. The Commission found that Facebook Messenger and WhatsApp are not close competitors and that consumers would continue to have a wide choice of alternative consumer communications apps after the transaction. Although consumer communications apps are characterised by network effects, the investigation showed that the merged entity would continue to face sufficient competition after the merger.

Commission Vice President in charge of competition policy, Joaquín Almunia, said: *"Consumer communications apps keep European citizens connected and are becoming increasingly popular. While Facebook Messenger and WhatsApp are two of the most popular apps, most people use more than one communications app. We have carefully reviewed this proposed acquisition and come to the conclusion that it would not hamper competition in this dynamic and growing market. Consumers will continue to have a wide choice of consumer communications apps."*

The Commission's investigation focused on three areas: (i) consumer communications services, (ii) social networking services, and (iii) online advertising services.

As regards consumer communications services, the Commission focussed its assessment on apps for smartphones, as WhatsApp is not available for other devices. The Commission found that Facebook Messenger and WhatsApp are not close competitors. Indeed, despite the fact that Facebook Messenger is a standalone app, the user experience is specific given its integration with the Facebook social network. For WhatsApp, access to the service is provided through phone numbers while for Facebook Messenger, a Facebook profile is required. Users seem to use the two apps in different ways and many of them use the two apps simultaneously on the same mobile handset. Furthermore, this is a very dynamic market with several competing apps available on the market, such as Line, Viber, iMessage, Telegram, WeChat and Google Hangouts.

The consumer communications apps market is characterised by network effects, that is to say the value of the service to its users increases with the number of other users. Network effects may allow the entity which enjoys a large network to keep its competitors out of the market. Given their popularity, both WhatsApp and Facebook Messenger already have large customer bases. However, a number of factors mitigate the network effects in this particular case. Indeed, the Commission found that the consumer communications apps market is fast growing and characterised by short innovation cycles in which market positions are often reshuffled. Moreover, launching a new app is fairly easy and does not require significant time and investment. Finally, customers can and do use multiple apps at the same time and can easily switch from one to another.

As regards social networking services, the market investigation showed that their boundaries are continuously evolving. Some third parties suggested that WhatsApp is already a social network which competes with Facebook. However, the Commission found that the parties are, if anything, distant competitors in this area, in particular given a substantially richer experience offered by Facebook. Moreover, there is a large number of alternative service providers, including other consumer communications apps, such as Line and WeChat. Further, even in the event of an integration between WhatsApp and Facebook such that Facebook's position in social networking services could be strengthened, the net gain in terms of new members of the social network would be limited, since the user base of WhatsApp already overlaps to a significant extent with that of Facebook. Hence, no matter what the precise boundaries of the market for social networking services are and whether or not WhatsApp is considered a social network, competition is unlikely to be negatively affected by the merger for such services.

Although WhatsApp is not active in online advertising, the Commission examined whether the transaction could strengthen Facebook's position in that market and hamper competition. In particular, the Commission examined the possibility that Facebook could (i) introduce advertising on WhatsApp, and/or (ii) use WhatsApp as a potential source of user data for improving the targeting of Facebook's advertisements. The Commission concluded that, regardless of whether Facebook would introduce advertising on WhatsApp and/or start collecting WhatsApp user data, the transaction would not raise competition concerns. This is because after the merger, there will continue to be a sufficient number of alternative providers to Facebook for the supply of targeted advertising, and a large amount of internet user data that are valuable for advertising purposes are not within Facebook's exclusive control.

In the context of this investigation, the Commission analysed potential data concentration issues only to the extent that it could hamper competition in the online advertising market. Any privacy-related concerns flowing from the increased concentration of data within the control of Facebook as a result of the transaction do not fall within the scope of EU competition law.

Based on the above, the Commission therefore concluded that the transaction would raise no competition concerns.

The transaction was notified to the Commission on 29 August 2014.

Background

Facebook provides social network online platforms offering a range of social services, including consumer communications and photo / video sharing functionalities to consumers and advertisers. In particular, Facebook offers the social networking platform "Facebook", the consumer communications app "Facebook Messenger" and the photo and video-sharing platform "Instagram". These services can be accessed through the internet on PCs and via specific apps on smartphones and tablets. Facebook also provides online advertising space. For this purpose, Facebook collects data regarding the users of its social networking platforms and analyses them in order to serve advertisements on behalf of advertisers, which are "targeted" at each particular user of its social networking platforms. Facebook's social networking platform has 1.3 billion users worldwide, 300 million of which are also users of the Facebook Messenger app.

WhatsApp is the provider of a messaging app enabling users to exchange multimedia instant messages. Unlike Facebook, WhatsApp is currently not available on PCs and tablets, it does not store messages on its servers and it does not sell advertising space. WhatsApp has 600 million users worldwide.

The Commission has already considered the market for consumer communications services in previous decisions, in particular in 2011 in the Microsoft / Skype case (see [IP/11/1164](#)) and in 2013 in the Microsoft / Nokia case (see [IP/13/1210](#)).

Merger control rules and procedures

The Commission has the duty to assess mergers and acquisitions involving companies with a turnover above certain thresholds (see Article 1 of the Merger Regulation) and to prevent concentrations that would significantly impede effective competition in the European Economic Area (EEA) or any substantial part of it.

The vast majority of mergers do not pose competition problems and are cleared after a routine review. From the moment a transaction is notified, the Commission generally has a total of 25 working days to decide whether to grant approval (Phase I) or to start an in-depth investigation (Phase II).

More information on this case is available on the Commission's [competition](#) website, in the public [case register](#) under the case number [M.7217](#).

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