

Just how big will the messaging app industry get?

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Mobile messaging apps are poised for explosive revenue growth over the coming years, according to Macquarie, as they expand offerings beyond basic chat services in order to monetize rapidly growing user bases.

The bank forecasts the messaging app universe – which includes WhatsApp, Japan's Line and China's WeChat among others – will generate almost \$25 billion in annual revenue by 2017, up from under \$1 billion last year.

The forecast is based on the projection that the user base of messaging apps will grow to 2.9 billion users from 1 billion-plus currently.

"[Chat apps] are increasingly evolving into advertising networks, games platforms and other services," Macquarie analysts, led by David Gibson, wrote in a report.

This is particularly the case with the Asian messaging services, which have placed more emphasis on revenue generation by enriching basic chat functionality, with payment services, game centers and sticker stores.

(Read more: [Yahoo wonderkid not jealous of WhatsApp billions](#))

"Asian chat apps are not just messaging services but evolving to full social services that are encroaching on existing social network(s)," they added.

On top of these additional services, increased revenue will come from advertising. "We think chat apps could help accelerate the shift to mobile advertising as they shift to monetization," Macquarie said.

Line: an underappreciated app

Macquarie says the earnings potential for Line – Japan's most popular messaging app – remains "underappreciated."

"Line has the biggest revenue opportunity of the chat apps from a games/advertising perspective because its... home base of Japan is the largest mobile games market in the world and because 85 percent of its user base is outside Japan, which could be monetized," the bank said.

(Read more: [Can Japan's answer to WhatsApp take on the world?](#))

Line, which had led the push towards monetization, brought in around \$335 million in revenue last year, according to Reuters. By 2017, the bank estimates it will generate \$2.2 billion.

"Line in particular is not sitting still with its offering and continues to expand the services that are offered next to the core messaging service like manga, utilities, radio, ecommerce (C2C,B2C), calls and sponsored accounts (like on Twitter)," the bank said.

This will pose an interesting challenging for WhatsApp, which has vowed not to resort to advertising or games to drive revenue, on top of its annual \$0.99 fee.

Analysts expect the Facebook-owned messaging service could add functionality around voice, video, potentially payments to ramp up monetization over time, instead.

(Read more: [Blackstone on WhatsApp deal: 'Beauty in eye of beholder'](#))

"We believe these expanding services are pushing into Facebook's realm and beyond and hence WhatsApp may struggle to stay relevant to its users," the bank said.

—By *CNBC's Ansuja Harjani*. Follow her on Twitter [@Ansuja_H](#)