

Facebook's New Libra Cryptocurrency Helps the Company Diversify Away from Advertising

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Amy He

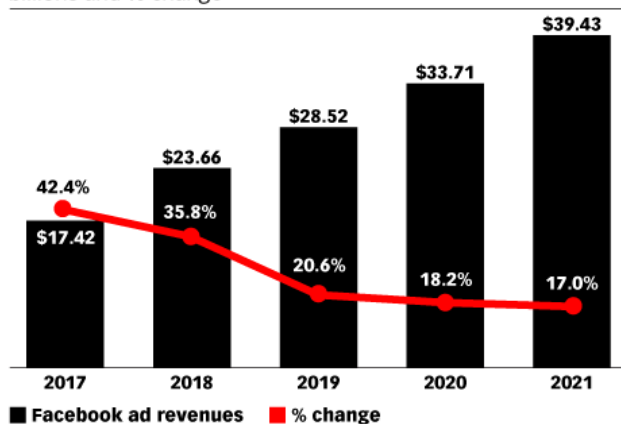
After a year of rumors, Facebook confirmed its plans to create a financial system based off a new cryptocurrency called Libra. While the company derives a majority of its revenues from advertising, it's clear that it's been trying to diversify its income, and this new digital currency—along with its new digital wallet feature Calibra—is the next step in executing this strategy.

Facebook will partner with 27 companies to oversee Libra and its development, with plans to launch the currency in 2020. The company is simultaneously launching Calibra, which will be integrated in Facebook Messenger and WhatsApp and exist as a standalone iOS and Android app. The digital wallet will let users save, spend and send Libra.

"Calibra will likely be how Facebook makes money off of Libra," said eMarketer senior analyst Jasmine Enberg. "But it's also a way for Facebook to expand beyond social media and into the financial world, which could provide new revenue streams beyond the transactional revenues generated via payments or ecommerce as well as its core business: advertising."

US Facebook Ad Revenues, 2017-2021

billions and % change



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms; includes Instagram advertising revenues; excludes spending by marketers that goes toward developing or maintaining a Facebook presence; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites
Source: eMarketer, Feb 2019

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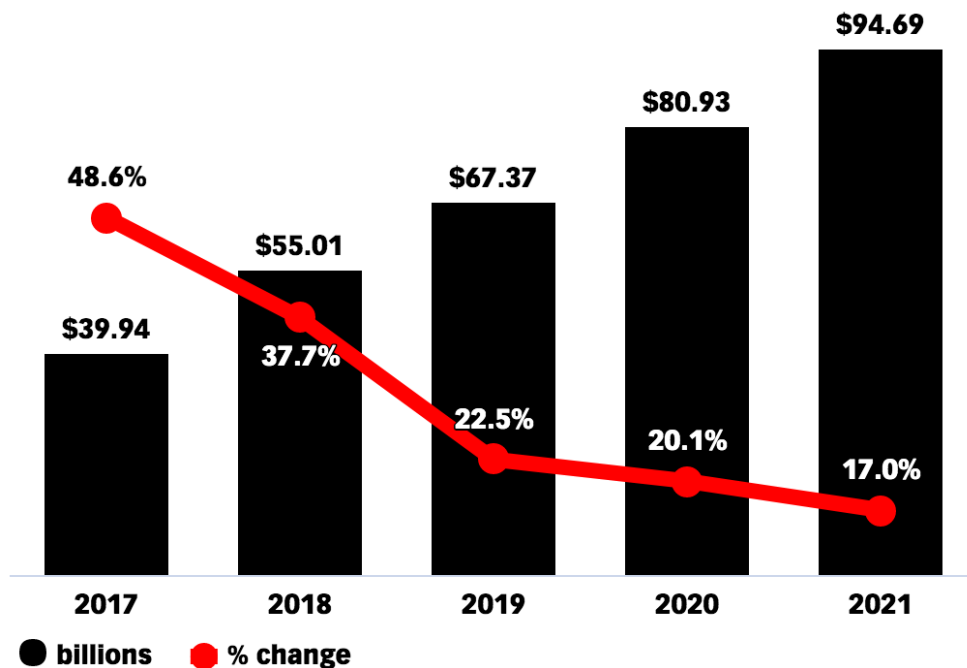
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The social media company's ad revenues show that it's still extremely reliant on advertising as an income generator: Our figures show that Facebook's US ad revenues will grow to \$28.52 billion this year, a 20.6% increase from 2018, and represents a 98.9% share of its overall revenues.

Worldwide, Facebook generated \$55 billion in ad revenues in 2018, which will increase 22.5% to \$67.37 billion this year. We estimate that its worldwide ad revenues will grow to \$80.93 billion in 2020.

Facebook Ad Revenues

Worldwide, 2017-2021



Source: eMarketer, February 2019

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In its [white paper](#) on Libra, Facebook said that one of its main impetuses for creating Libra is to help serve the underbanked worldwide, and it's clear that this digital currency strategy is centered less around consumers in the US and Western Europe, and more on consumers that have less-developed banking infrastructures in place.

Questions have been raised about whether Facebook can be trusted with handling a large financial system or if it will compromise consumers' data. In the aftermath of the Cambridge Analytica revelations, the company [introduced a number of privacy features](#), which are inherently at odds with how Facebook can serve users ads based on their prior behaviors. While these privacy features have not shown to greatly affect Facebook's advertising revenues just yet, the creation of Libra and Calibra could be a way to offset any potential future hits to their advertising revenues.

“Facebook has said that it won’t share account or financial information from Calibra with its social services, meaning that it can’t be used for targeted advertising,” Enberg said. “It remains to be seen if that will convince consumers to share more private information with the company, which is something that both the success of Libra and Facebook’s new privacy-focused vision are dependent on.”