

Waze Winners and Losers

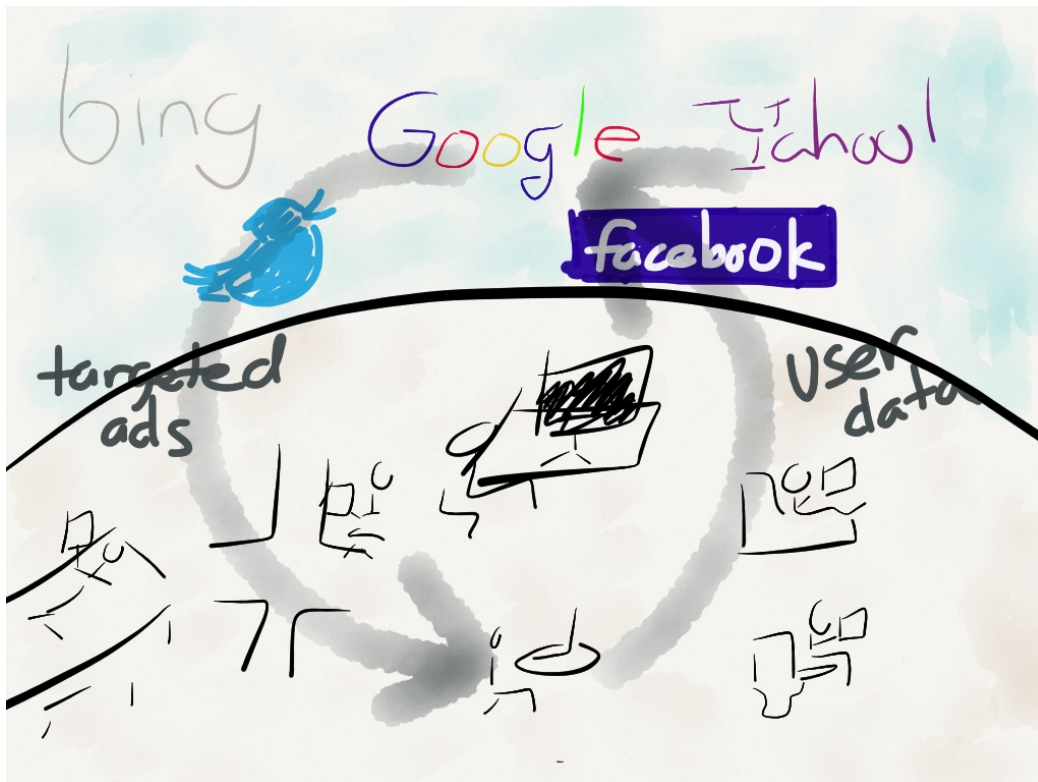
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Google [acquired Waze](#) earlier this week for a reported \$1.03 billion. This is an interesting deal for a few different reasons with a clear set of winners and losers.

Big Winner: Waze

This is an incredible exit for a company with only ~17 million active users and negligible revenues. Waze is a great product – I'm a big user – but it was ever only going to be a niche player. Maps are too integrated into every mobile platform, and if a user is dissatisfied with the default app, Google Maps is a readily available option.

Moreover, the value of mapping comes not from direct monetization, but from the signal it sends about users and their location; the monetization comes via targeted ads on other devices and in other apps.



The signal-to-ads cycle. Click the image for the original article.

Waze was never going to build out this cycle, which limited their direct revenue options to incredibly annoying pop-up ads that distracted from driving.

Still, you are worth the price someone will pay, and Waze did a tremendous job playing Google, Facebook, and Apple off of each other. The price is justified.

Winner: Google

Google claims Waze will remain independent, and why not? The actual product doesn't matter to Google at all. Rather, this was all about moat building. As I've written previously, Google dominates the signal-to-ads cycle because they have both the best signals and the best ad delivery platforms.

Facebook is probably their closest competitor for the advertising side of that equation, but their signal, particularly in mobile, is much weaker. Buying Waze so that Facebook can't is a victory all by itself.

Neutral: Users

There are two big wins for users here:

- The weakest part of Waze is the search experience. Frankly, it's terrible. I have a sneaking suspicion that Google can help out here.
- There's a decent chance that Google will kill Waze's current monetization model completely, which will make the app much more pleasant to use.

There are also clear downsides:

- If you didn't want to send your location information to Google, well, now you have one less option.
- Google's history with acquisitions is not great to begin with. Add in the fact that this acquisition was purely defensive, and it's hard to see how Waze doesn't wither on the vine. That's too bad.

Loser: Apple

Waze was [one of the data sources](#) for Apple Maps. It's unclear what data they contributed exactly, but regardless, the last thing Apple Maps needs is less data.

That said, I don't think an acquisition made sense, especially at this price. Apple doesn't play (much) in the ad game, so there wasn't the same strategic imperative to pay. I'm sure they're sad to lose the data, but not \$1.03 billion sad.

Big Loser: Facebook

This is a huge missed opportunity for Facebook. They are, [for better or worse](#), locked in to the advertising game, and there are few more useful signals than mapping. When you add in the fact that Waze is social at its core, this seems like a perfect fit.

I'm sure Facebook was concerned about the small amount of active users Waze had, but more than that, I suspect Facebook had their hands tied by their disastrous IPO. Investors are very suspicious of Facebook – for good reason – and may not have tolerated such a large expenditure for so little short-term gain. There are a lot of Facebook employees still underwater, and Zuckerberg and team may not have felt the risk of investor backlash was worth it. To be clear, this is conjecture, but there really doesn't seem to be another good reason why Facebook wouldn't have outbid Google.

Then again, maybe outbidding Google was impossible. They know better than anyone that advertising is trending towards winner-take-all, and that monopolizing signals is priceless.