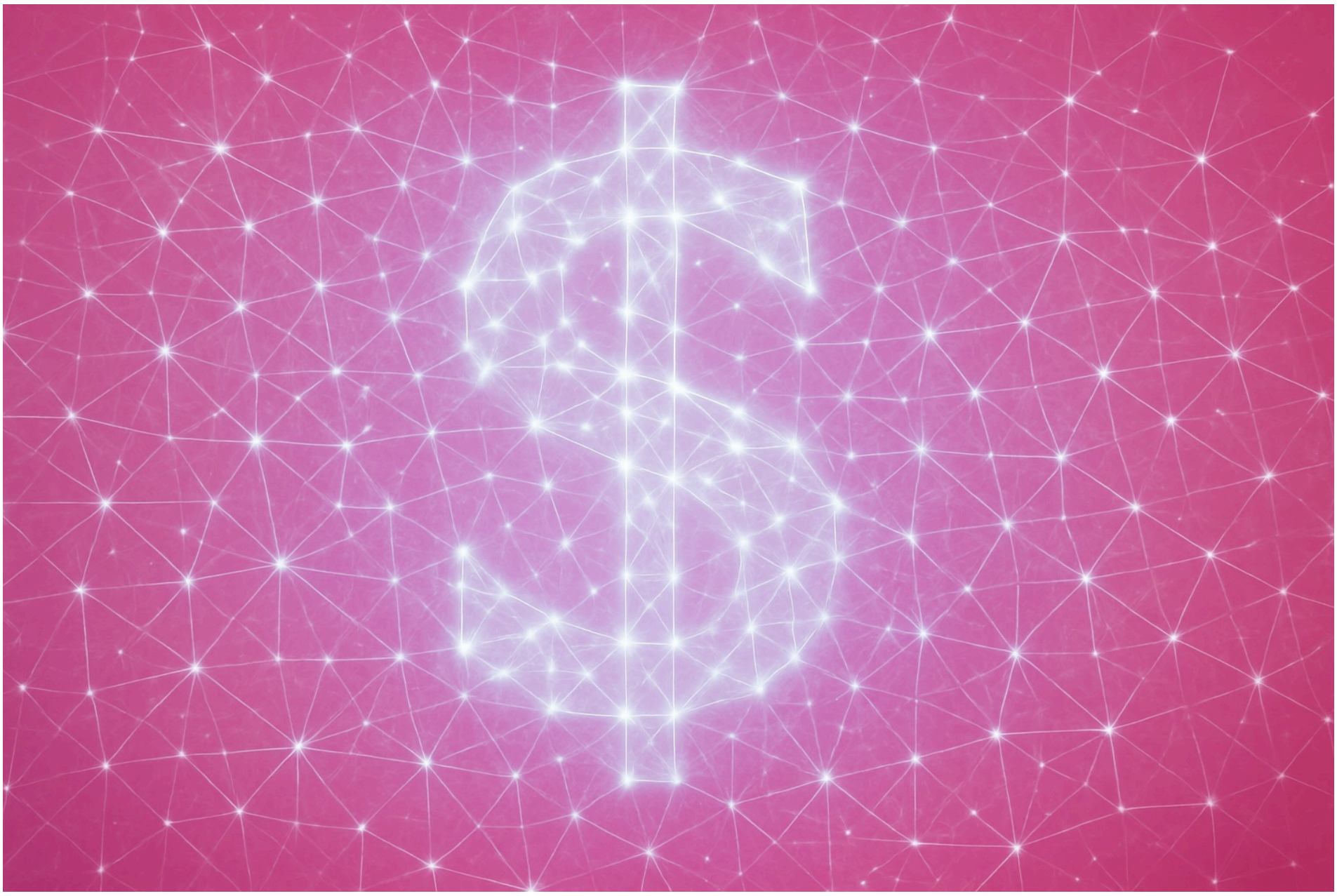
Understanding ChatGPT’s unit economics

Published on **October 21, 2025** by **Eric Benjamin Seufert**

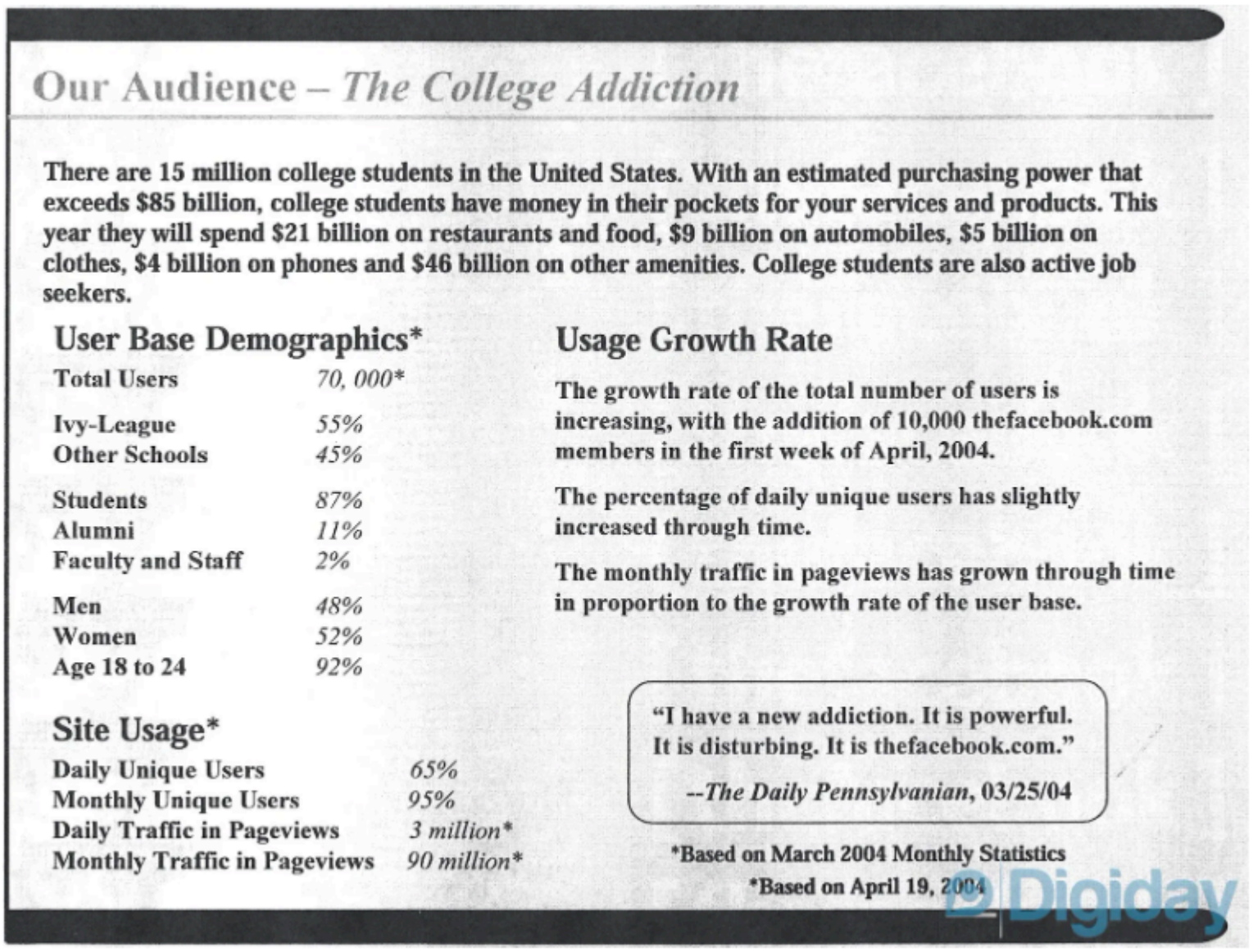


Last week, the *Financial Times* **published** several metrics related to ChatGPT’s revenue, sourced from “people familiar with the company’s finances.” Distilling those metrics:

- **Weekly active users (WAU):** 800MM (**confirmed** at OpenAI’s developer day)
- **Annual recurring revenue (ARR):** $13BN
- **Percentage of ARR derived from ChatGPT subscriptions:** 70%
- **Percentage of paying ChatGPT users:** 5% (~40MM WAU)

OpenAI’s use of WAU to track its user base is curious. WAU is not a widely used reporting metric; far more common are DAU and MAU. **Snap** reports DAU (469MM globally in Q2 2025); **Pinterest** reports MAU (578MM in Q2 2025). Meta reports Family Daily Active People (DAP), which counts unique users across its portfolio of apps (3.48BN in Q2 2025). The company also revealed late last month that Instagram alone has reached 3BN MAU.

The nuance between these metrics is important to unpack. If a user logs into an app once in a month, they capture a DAU for that day, a WAU for that week, and a MAU for that month. If they log in every Monday in the month, they’re a constant WAU as well as MAU, but they’re only present in four DAU metrics across the month. If they log in every day, they’re a constant MAU, WAU, and DAU. In other words: the more habitual the usage of a product is, the closer the values of its time-delineated user metrics.



Our Audience – *The College Addiction*

There are 15 million college students in the United States. With an estimated purchasing power that exceeds $85 billion, college students have money in their pockets for your services and products. This year they will spend $21 billion on restaurants and food, $9 billion on automobiles, $5 billion on clothes, $4 billion on phones and $46 billion on other amenities. College students are also active job seekers.

User Base Demographics*

Total Users	*70, 000**
Ivy-League	*55%*
Other Schools	*45%*
Students	*87%*
Alumni	*11%*
Faculty and Staff	*2%*
Men	*48%*
Women	*52%*
Age 18 to 24	*92%*

Site Usage*

Daily Unique Users	*65%*
Monthly Unique Users	*95%*
Daily Traffic in Pageviews	*3 million**
Monthly Traffic in Pageviews	*90 million**

Usage Growth Rate

The growth rate of the total number of users is increasing, with the addition of 10,000 thefacebook.com members in the first week of April, 2004.

The percentage of daily unique users has slightly increased through time.

The monthly traffic in pageviews has grown through time in proportion to the growth rate of the user base.

"I have a new addiction. It is powerful. It is disturbing. It is thefacebook.com."

***--The Daily Pennsylvanian*, 03/25/04**

***Based on March 2004 Monthly Statistics**

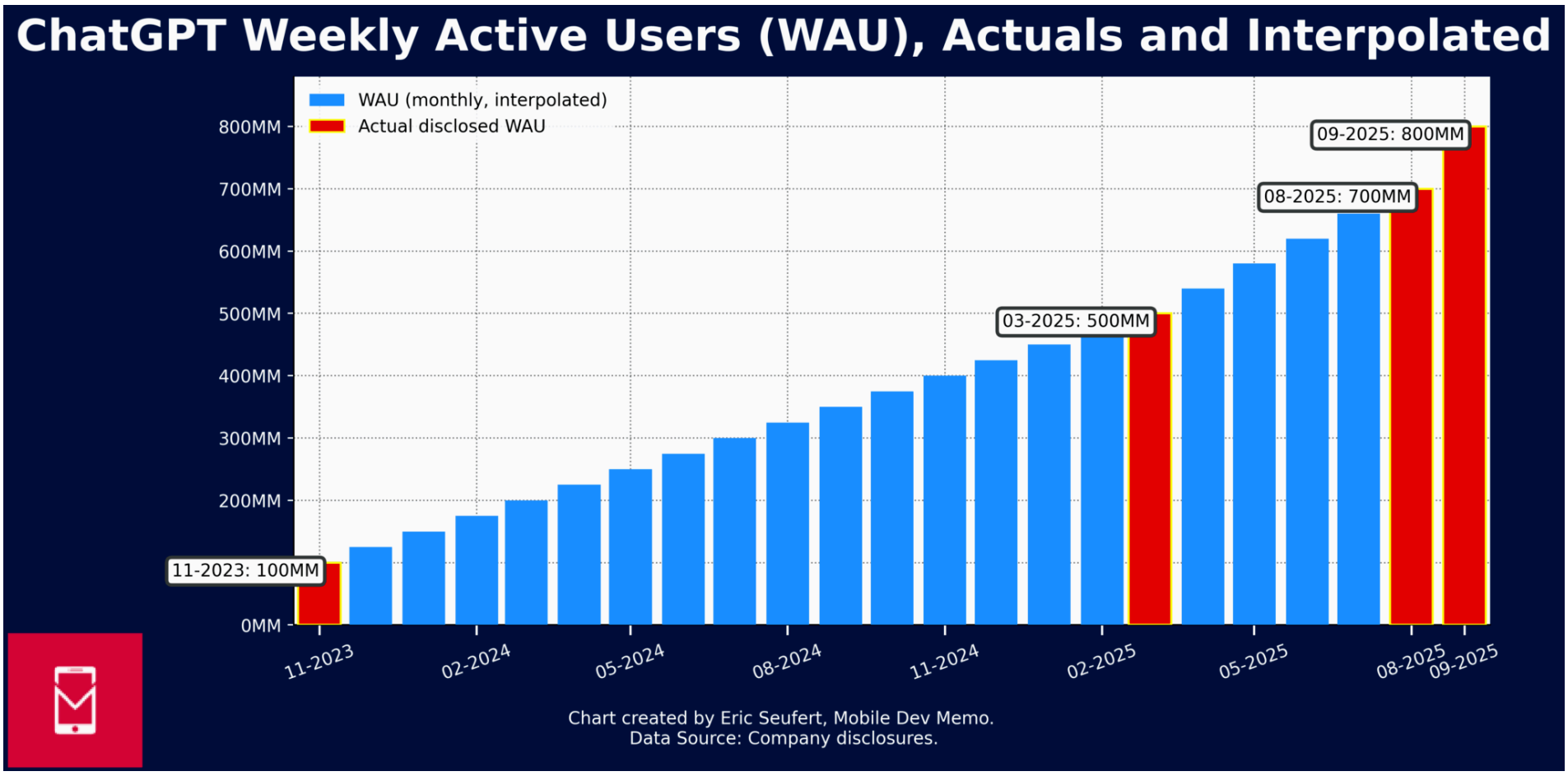
***Based on April 19, 2004**

Digiday

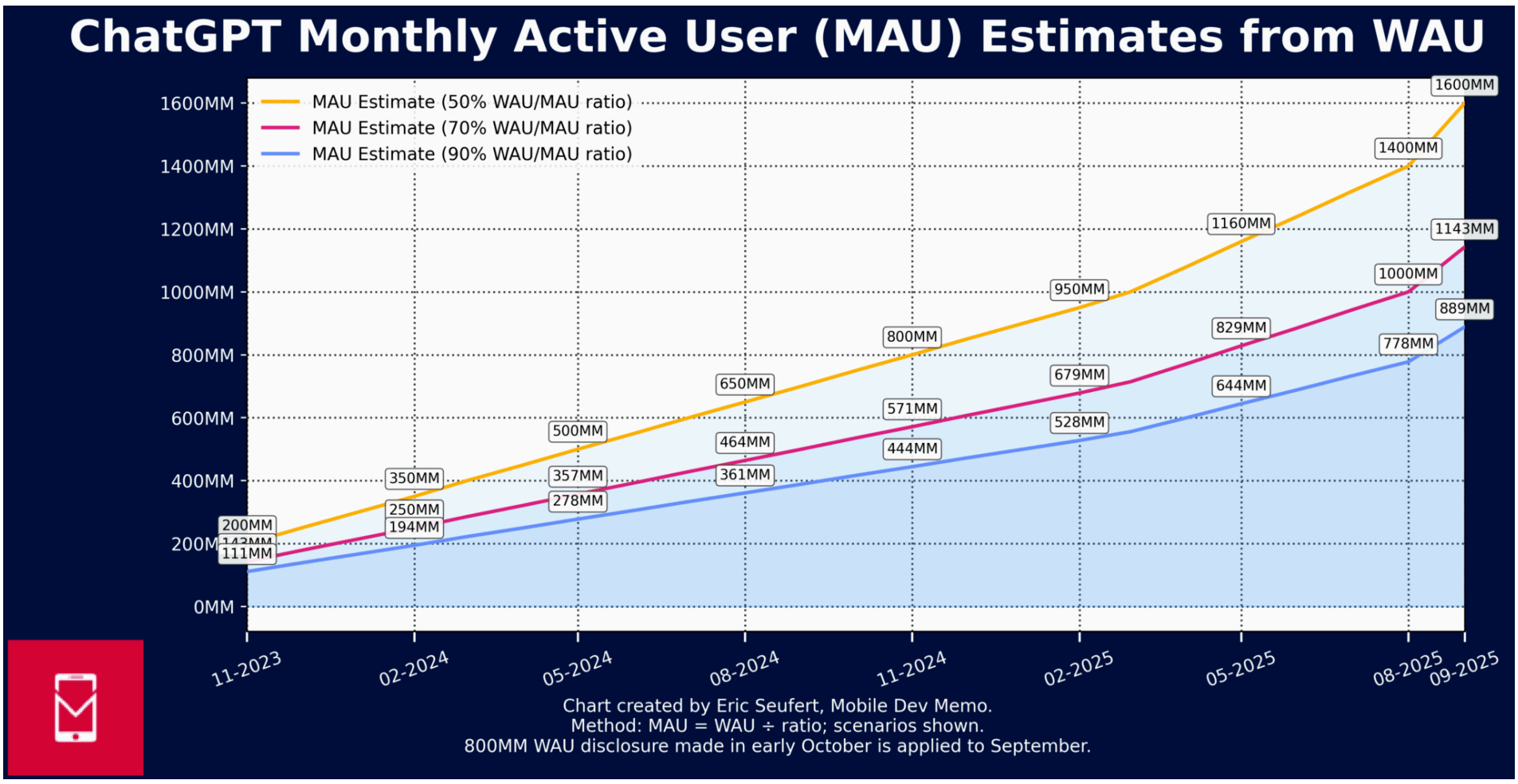
But the longer-duration metrics should be greater than or equal to all shorter-duration metrics, by definition: DAU can't exceed WAU, but the opposite is not true. Every WAU is also a DAU, but only for that day. DAU/MAU is a commonly used product metric to track regular engagement for users. The higher the DAU/MAU ratio, the higher the regularity of product use: Facebook famously noted that 65% of its total user base logged in daily in its **first advertising sales deck**, distributed in 2004.

This is all to say that the use of WAU renders comparison with other scaled consumer products difficult because they don't share common timelines. I would assume that ChatGPT's MAU is significantly larger than its WAU given how quickly the user base is growing: the company **reached** 700MM WAU in August, up from 500MM in March 2025 and 100MM in **November 2023**. Naturally, as a function of retention, more users will engage with a product just once than those who engage twice or more. As a result, for a fast-growing company, MAU should materially exceed WAU.

This may seem counterintuitive: why would ChatGPT report the smaller user base number? Partly because it controls for variation by focusing on a longer duration: WAU reduces the effect of one-and-done users and those who try the product as a result of its novelty factor but don't become habituated. When ChatGPT's growth rate inevitably slows, WAU is likely to remain more stable than MAU, which could shrink.



But another potential reason is to obfuscate the denominator in an ARPU calculation. Per its **most recent 10-Q**, Meta calculates Average Revenue per Person (ARPP) by dividing total revenue in a quarter by the total number of unique people who used any of its apps in that quarter. Snap calculates ARPU by dividing revenue per quarter by the average DAU in the quarter, **per its most recent 10-Q**. To my knowledge, no large publicly traded consumer technology company uses WAU for this purpose. In the above chart, I present WAU disclosures as red bars, with the other bars capturing linear interpolations between them.



One way to estimate ChatGPT's ARPU in a form that is compatible with other companies' methodologies is to estimate MAU given WAU/MAU ratios, to average MAU for Q3 2025, and to divide the total revenue generated by ChatGPT's consumer business by that average MAU value. For this exercise, I estimated MAU based on three WAU / MAU ratios: 50%, 70%, and 90%. I then applied those ratios to the WAU estimates from the chart above. It's important to note that the overall numerator is *consumer* revenue, not enterprise revenue, so the topline $13BN ARR projection (which would map to year-forward revenue as of the end of Q3) must be reduced by 30% to $9.1BN. Then, that annual projection number is divided by four to produce a quarterly estimate ($2.28BN). Further, the denominator must capture the total MAU for all users, not just paid users, which represent 5% of the 800MM WAU (40MM). Note that I apply the 800MM WAU metric, which was disclosed in early October, as well as the ARR estimate published by the *Financial Times*, to September. This approach assumes that the WAU/MAU ratios were consistent for each month in the quarter, which, given ChatGPT's growth, is almost certainly not the case.

Q3 2025 ARPU Estimates using Averaged MAU Estimates and WAU/MAU Ratios

WAU / MAU Ratio	July 2025 MAU (est)	August 2025 MAU (est)	September 2025 MAU (est)	Average Q3 MAU	ARPU (consumer revenue / average MAU)
50%	1320MM	1400MM	1600MM	1440MM	$1.58
70%	943MM	1000MM	1143MM	1029MM	$2.21
90%	733MM	778MM	889MM	800MM	$2.84

Those caveats stated, this approach results in global Q3 2025 ARPU estimates for ChatGPT of between $1.58 (50% WAU/MAU) and $2.94 (90% WAU/MAU). This compares to Q2 2025 global ARPU values for Meta, Snap, and Pinterest of:

- **Meta**: $13.65
- **Snap:** $2.87
- **Pinterest:** $1.74

Note that even assuming the assumptions baked into the ChatGPT estimates are valid, these aren't apples-to-apples comparisons, strictly speaking:

- Two different time periods are being compared (Q3 and Q2), although the comparison platforms' ARPU metrics are relatively stable (though they don't monotonically increase each quarter).
- Snap calculates ARPU by dividing quarterly revenue by average DAU for the quarter, per its **Q2 2025 10-Q**.
- Meta calculates ARPU (Average Revenue Per Person) by dividing quarterly revenue by the count of unique people who logged in at least once in any of its products over the quarter, per its **Q2 2025 10-Q**.
- Pinterest *does* calculate ARPU by dividing total revenue by average MAU in the quarter, per its **Q2 2025 10-Q**.

That said, these numbers provide a rough sense of magnitude: at the high end, ChatGPT monetizes similarly to Snap and ahead of Pinterest but behind Meta. This is reasonable on its face: ChatGPT primarily monetizes with **subscriptions**, and 95% of the company's consumer user base uses its free tier. Ad-supported social media platforms monetize nearly all users to varying degrees. By contrast, ChatGPT only monetizes a small fraction (although the proportion of monetized users will undoubtedly increase as its **eCommerce initiative** scales).

But another approach — the obvious approach — to monetizing the users on its free tier is to **introduce advertising**. As ChatGPT's users embrace eCommerce purchases, producing commercial intent artifacts that can be used for ad targeting, the company can monetize free usage with personalized advertising. Not only is advertising an accretive revenue opportunity (that will very likely have a negligible impact on churn), but it also gives OpenAI pricing power on its paid tiers. Netflix's experience is clarifying here: after introducing ads to its *Basic* tier, the company was able to institute several price increases for its premium tiers, culminating with the elimination of the *Basic* tier altogether, with ads applied to the *Standard* tier. I unpack this dynamic in ***Netflix, price discrimination, and the Goldilocks zone***:

> Netflix has achieved both ARPU and subscriber growth in a price discrimination strategy that combines initiatives across pricing, advertising, and freeloader monetization. This provides Netflix with content investment freedom that could ultimately create a virtuous circle.

One argument against introducing ads is that ChatGPT offers a commodity experience that can be easily replaced, and users might decamp to a different product if ChatGPT embraces ads. However, the general-purpose replacements for ChatGPT are primarily operated by companies likely to integrate ads into their chatbot experiences: Google and Meta (Meta recently began using chatbot conversations for **ad targeting**). And advertising allows ChatGPT to retain a free offering; eventually, the burden of profitable unit economics will descend upon all chatbot operators. If anything, given its ability to strike eCommerce partnerships with large retailers like Shopify and **Walmart**, OpenAI may be better positioned than any other chatbot operator to offer a free tier, monetized through personalized advertising that leverages the data it generates from facilitating eCommerce transactions.