



# WeChat, shape of the connected China

 GAFAnomics®

// FABERNOVEL

# This work was made for you to share, reuse, remix, rework...

-

It is licensed under the Creative Commons BY-NC-SA license to allow for further contributions by experts and users in the coming months.



You are free to share and remix / adapt the work.



You must cite this document: WeChat, shape of the connected China, January 2019.



You may distribute a modified work under the same or similar license.



You may not use this work for commercial purposes.

## Why do we release this kind of work for free?

Our job is to help large organizations think and act like startups. We believe this can only be achieved by encouraging people to innovate and explore new business models. We aim to inspire you by giving you the keys to understanding new markets, new business drivers like APIs or successful companies like Apple, Amazon, Facebook or LinkedIn.

# Foreword

-



**Stéphane Distinguin**

Founder & CEO  
of FABERNOVEL

**S**ince 2006 FABERNOVEL has been producing annual studies which are accessible to all, thus completing one of its missions: to contribute to the understanding and accessibility of the digital revolution. They are an opportunity to go further and deeper in the exploration of the latest innovation topics, and give their readers the ability to take a step back and to really observe the digital age.

By developing clear frameworks, they help in deciphering today's biggest recipes for success which worked for the GAFA, unicorns and Chinese giants. The aim is to analyze all the competitive dynamics of this new economy, its performance factors and its development strategy.

After Uber in 2017 and Tesla in 2018, we've decided to dedicate this year's annual study to the analysis of the WeChat phenomenon. More than ever, the model's applicability and exportability raises questions – while a slowed-down Chinese growth in 2018's third trimester (6,5%!), and a trade war with the US, has got some observers worried.

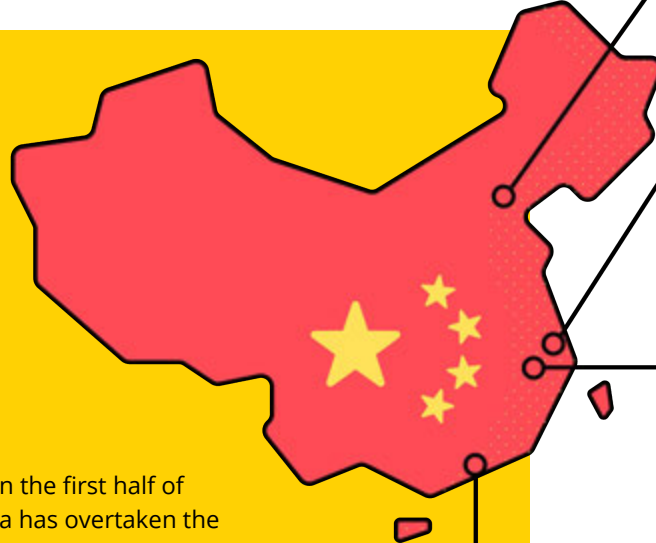
# From “Made in China” to “Designed in China”

The Chinese powerhouse is driven by dynamic metropolitan hubs

**2/3** of global patent applications in 2016

**47%** of the world's VC funding in the first half of 2018. For the 1st time, China has overtaken the U.S. in startups fundraising

**26%** of the world's unicorns total valuation, behind the US (49% of the total). 3 chinese unicorns among the top 6.



**Beijing:** headquarter of 40 unicorns and said to be the “**best startup environment in China**” with numerous investors and VCs.

**Key players:** Baidu / Didi / JD.com / Xiaomi / Lenovo / OFO / Toutiao

**Shanghai:** explicitly aims to become a global centre for both **financial services and technological innovation**.

**Key players:** Mobike, Lufax, Pinduoduo

**Hangzhou:** symbol of China's ongoing transition from a manufacturing centre to a **technology and service-based economy**.

**Key player:** Alibaba

**Shenzhen:** the “**Silicon Valley for hardware**” due to the proximity of tech firms in southern Guangdong province.

**Key players:** Tencent / Huawei / DJI (drone)

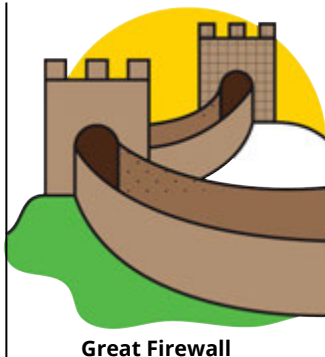
# China has nurtured homegrown digital champions...

## The Great Firewall has allowed China to forge its own path in terms of technology

China has developed a “digital protectionism” policy to prevent foreign competitors from jumping into the Chinese market and preserve its Internet sovereignty.



Amazon  
Google  
Uber  
Facebook  
Apple  
Best Buy



Alibaba  
Baidu  
Didi  
WeChat  
Xiaomi  
JD.com

## A Master Plan to take leadership in design, software and production

In 2015, China launched a strategic 10-years plan called “**Made in China 2025**”, in order to target a leadership position in key technologies and industries of the future.

China 2025 sets ambitious targets: **70% “self-sufficiency” in high-tech industries by 2025** and a dominant position in global markets by 2049.



**We should respect the right of individual countries to independently choose their own path of cyber-development”**

**Xi Jinping, president of the People's Republic of China**  
at the World Internet Conference (2015)

... and these champions are now deeply inspiring to the western leaders

-



**China:  
Lab of the mobile  
innovation**

The pace of innovation in China is faster than in any other part of the world.

Some of the most prominent American brands have started to copy what has been a success in China.

“

I look at some of the things we are innovating and doing here in China. **We are going to leverage those learnings\* to apply them in other parts of the world, including the US.”**

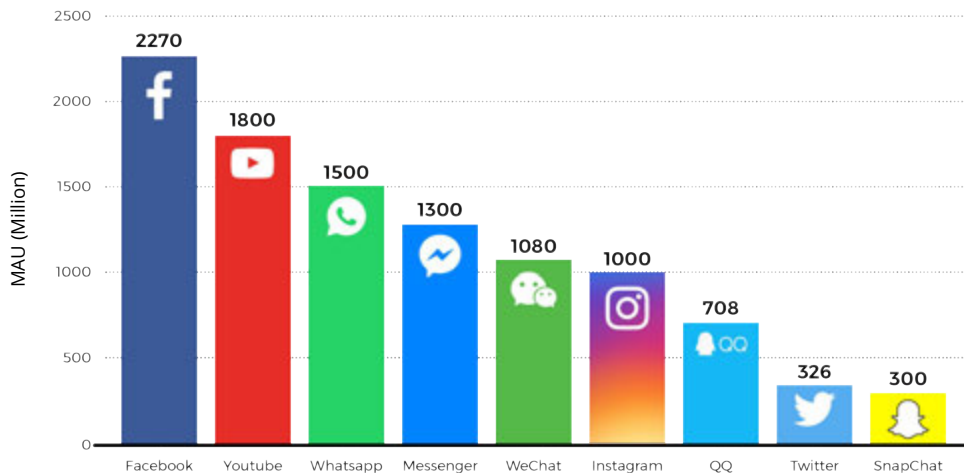


**Kevin Johnson**  
Starbucks' CEO

# WeChat figures cause vertigo

WeChat is the largest community of users and consumers in Asia.

**In only 7 years, WeChat has become a key player on the global tech scene:**



Main social media communities in Q3 2018 ranked by MAU

**433 Days**

To reach 100 Millions users  
vs. 1,650 days for Facebook

**34%**

Of total mobile network  
traffic in China  
vs. 14% for Facebook  
in the US.

**92%**

Penetration rate in its first  
domestic market - China  
vs. 63% for Facebook  
in the US

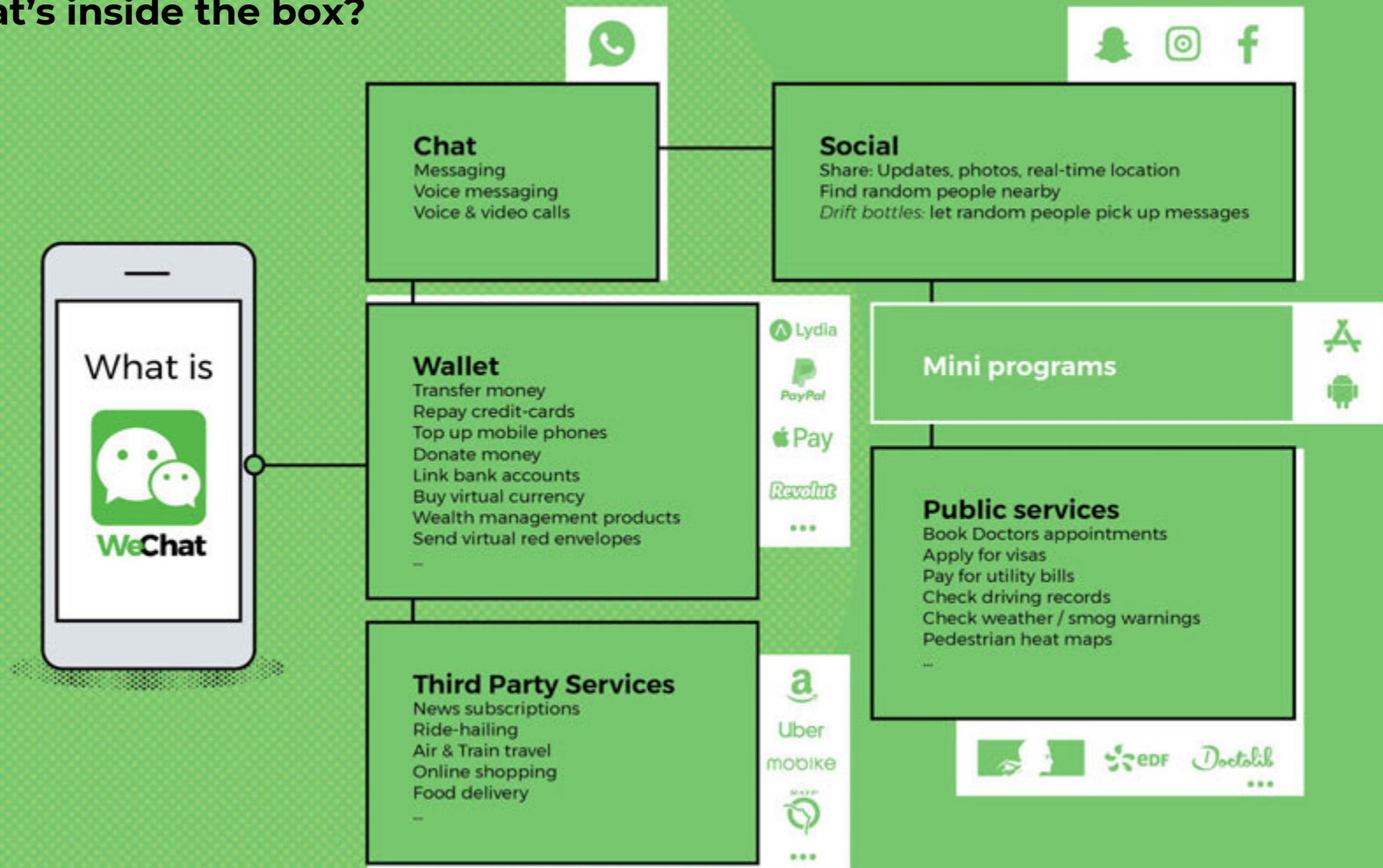
**+1M**

Mini-programs since  
the launch in 2017  
vs. 2.1M for App Store

**20.3M**

jobs WeChat helped  
to create in 2017

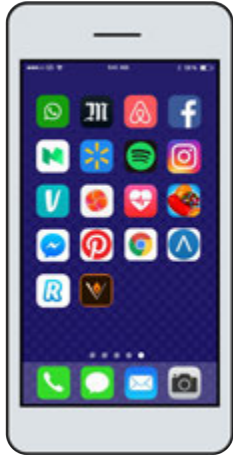
# What's inside the box?





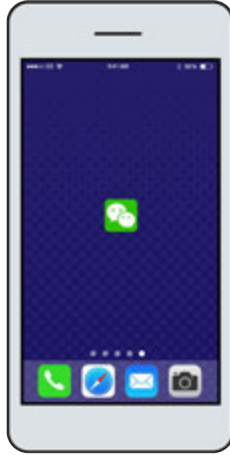
# WeChat is leading the “super app revolution” in Asia

Our phone



VS

A Chinese one



3 main ingredients of a Super App:

1. A unique access point
2. Seamlessly integrated ecosystem
3. Its own payment solution

The promise of a Super App is clear:

**One tap away from everything**

“

Super apps mix and match a **bunch** of seemingly **unrelated services** together in **one** application”

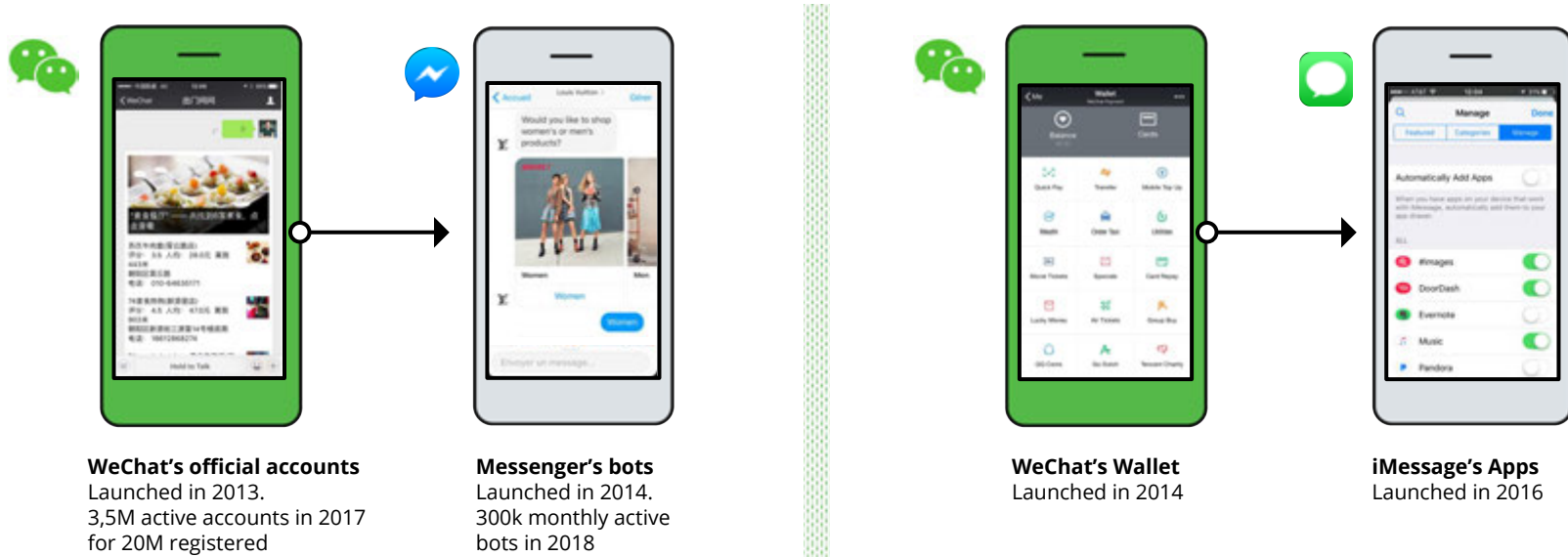
**Connie Chan**

General Partner at Andreessen Horowitz

SUPER APP  
SUMMIT



# Western tech leaders have started to copy it



“Everyone in the Western world has experienced WeChat’s work, as the service has inspired a new category of “messaging as a platform.” You don’t have to look hard to see hints of WeChat in other messaging platforms such as Apple’s iMessage or Facebook’s Messenger platform”

**Anu Hariharan**  
Partner at Y Combinator (2017)

# One app, 5 strategies

-



- 1 Pivoting at scale
- 2 Smartphone is not a channel, it's a lifestyle
- 3 Value is a dynamic balancing
- 4 Network size is the new chic
- 5 WeChat is eating the world



**Pivoting** at scale

# Back to 2010, Tencent was a well-established company

Tencent's activities were thriving:

The overall economic environment in China was very promising:

**10 million**

new internet users in China every month

**+10.6%**

GDP growth of China

Tencent overall results were outstanding:



Tencent revenues evolution between 2007 and 2010

**3<sup>rd</sup>**

biggest internet firm by market cap (\$36bn) after Google and Amazon

Tencent was dominating the instant messaging Chinese market:

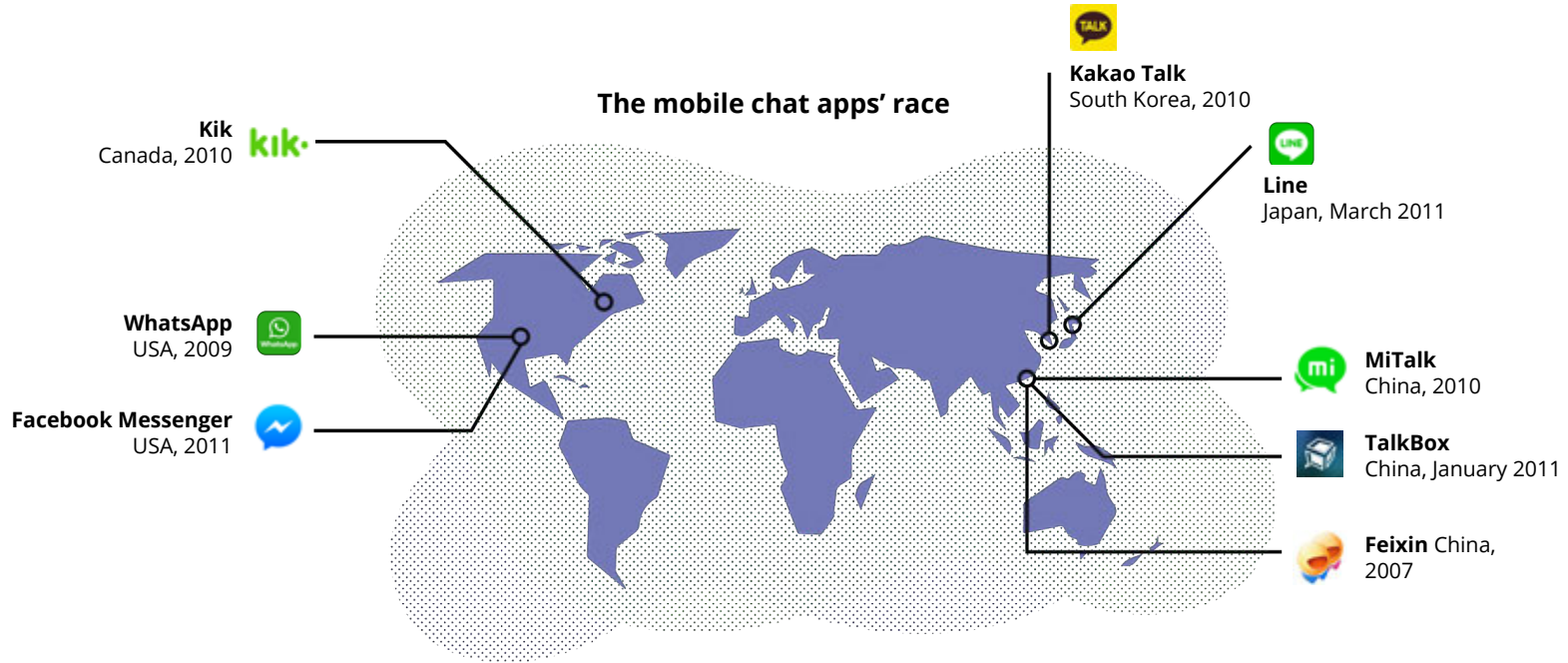
**650 million**

active users on QQ Messenger

QQ's penguin was an integral part of **Chinese popular culture**



# Tencent understood the inevitable rise of a new world



New contenders were entering the game, both outside and inside China. Tencent was a latecomer in this race.

At the very beginning, all these instant messaging apps had the same value proposition. It would be a winner-takes-all battle as messaging apps are all about timing and network effect.

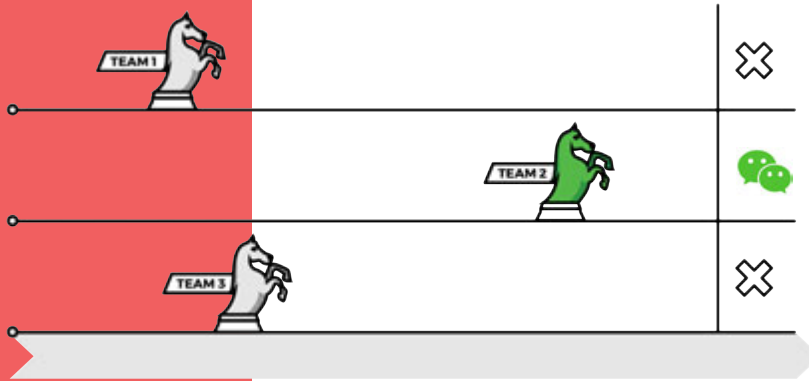


**How did they  
manage this  
strategic dilemma?**

# What did Tencent do? Basic design thinking & horizontal diversification

## Pick your champion after an internal tournament...

Such initiatives was faithful to the 'horse race culture' or *saima*: putting several teams to attack the same challenge



The winning project was granted generous financing to continue its project

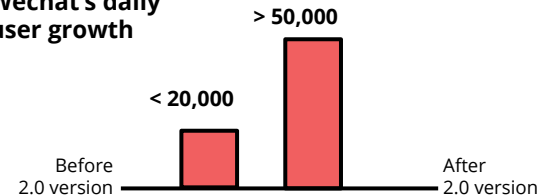
## ... and looking closely at alternatives

In early 2011, when WeChat was struggling among the Top 100, its major competitor Talkbox was listed #1 on the social network app chart thanks to its push-to-talk feature.

**Tencent's executives even made an offer to buy Talkbox as they did not want to bet solely on WeChat's uncertain success.**

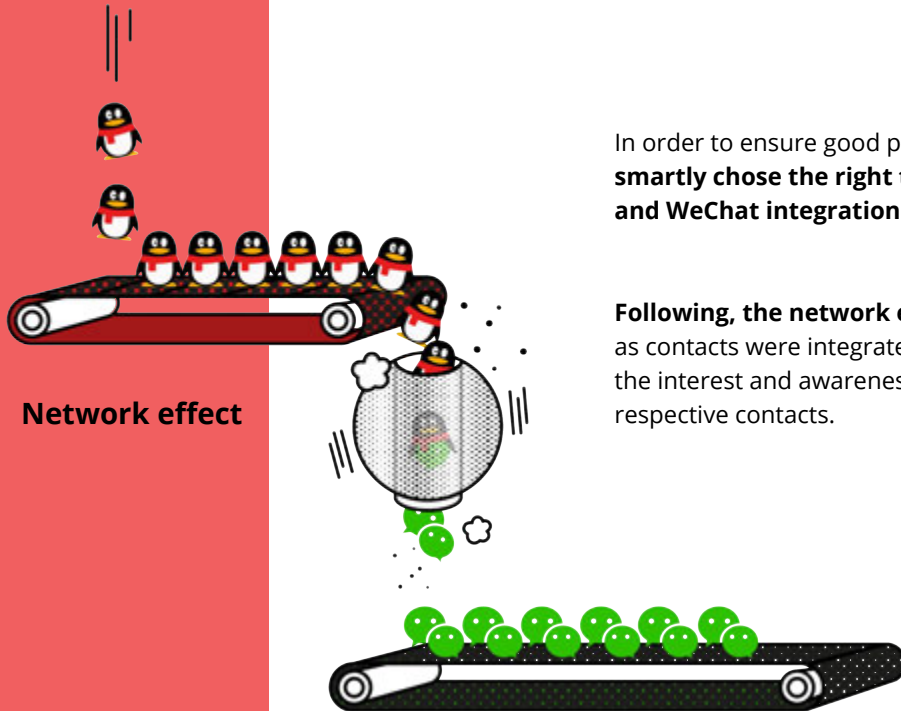
With the WeChat 2.0 version of May 2011 and the release of the same push-to-talk feature, WeChat jumped from top 100 to top 5 within a single day.

## Wechat's daily user growth





## Leveraging existing assets to accelerate momentum



In May 2011, WeChat started to leverage its massive QQ user base: **account creation was made possible through a QQ ID**. Having a single login ID was much more convenient.

With the 2.1 version of July 2011, WeChat users were able to **automatically import their QQ contacts into WeChat**.

In order to ensure good pick-up rates, **WeChat smartly chose the right timing to carry the QQ and WeChat integration**.

**Following, the network effects took their lead:** as contacts were integrate and users joined the app, the interest and awareness raised amongst their respective contacts.



### Endgame

In November 2011, **WeChat reached 50 million users and overtook Xiaomi's MiTalk as the first instant messaging app in China.**

# Differentiating QQ to avoid inside competition

WeChat's incredible expansion did not kill QQ.

## It was adapted to serve different needs

QQ has repositioned itself to be a colorful "one-stop entertainment portal" and fills-in WeChat's gaps: you don't need a mobile number to sign up for a QQ account, a good option for young students without any mobile phone.

## Addressing specific users

In 2018, QQ's demographic is still very young: 60% of all QQ users were born after 1990, 40% are students. Hence, QQ has teen-friendly features like avatars, animations and cartoon characters.

## With two strategic levers:



### Video

In 2016, launch of a very popular short-video service called Riji (or "Daily Footprint") to let users upload temporary video clips less than 10 seconds long.



### Gaming

In 2017, launch of QQ Light Application: a mini program-like platform, focusing on casual games and e-books.



**Smartphone  
is not a channel,  
it's a lifestyle**

# A day in the life of Xiaolei, powered by WeChat



**Persona:**  
Name: Xiaolei  
Age: 32 years old  
Profession: Head of Marketing in a Furniture company  
Description: Xiaolei lives and works in Shanghai, she uses WeChat in the same way as a typical city resident

**7AM**  
She checks the weather on a **Mini Program** and sees that the pollution rate is quite low today. Thankfully, there are a few bikes in front of her house, so she grabs one thanks to **Mobike's** integrated feature.

**8AM**  
She needs her usual morning coffee, so she stops by Starbucks. The waiter invites her to subscribe to their new **Official Account** and use the **'Shake' feature** to get a free cupcake. She scans the **QR code** to immediately follow it, and pays at the same time thanks to **WeChat Pay**.

**8:30AM**  
Xiaolei arrives at work, she logs on WeChat desktop, checks Beijing's last meeting debrief on the Marketing group and asks her colleagues a few questions about it.



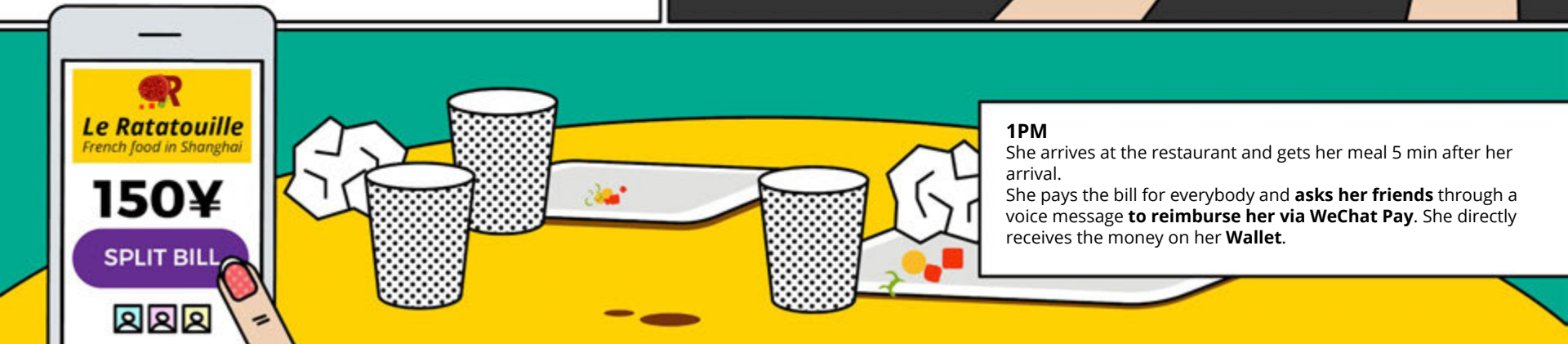
11AM

Her client has just informed her by **private message** that he could not be present for their lunch. So she suggests to a **group of friends** to have lunch in the French restaurant they all like. She sends them the link through Meituan Dianping's **Mini Program** so they can directly order from the menu before they arrive.



12PM

Xiaolei is a little bit late and won't have time to go the restaurant by bike, so she books a **taxi** directly from WeChat thanks to **Didi's** native feature.



1PM

She arrives at the restaurant and gets her meal 5 min after her arrival. She pays the bill for everybody and **asks her friends** through a voice message **to reimburse her via WeChat Pay**. She directly receives the money on her **Wallet**.

5PM

She buys hiking clothes on **JD.com's Official Account** before buying her **flight ticket** to Taiwan. Unfortunately, her visa isn't up to date anymore, so she goes on the **Public Service native feature** to get a new one.

Mini Program



## Wallet

Rail & Flights

From Shanghai-Pudong

To Taiwan-Taoyuan

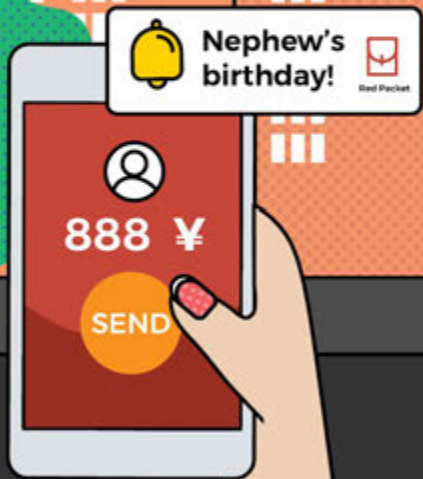
BOOK

Public service

GET A NEW VISA

7PM

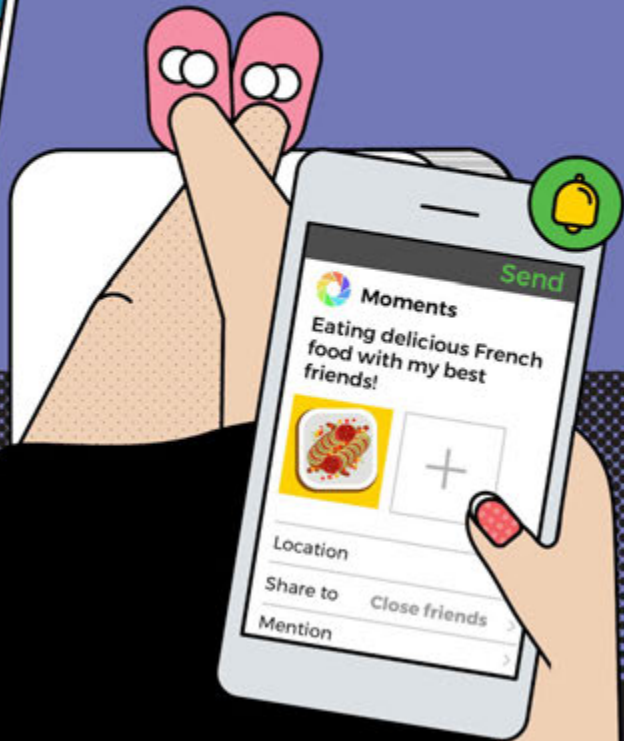
An alert informs her that today is her nephew's birthday. Xiaolei sends him a **red envelope** as a gift. She also takes this opportunity to also send one to her grandmother to thank her for the last weekend's lunch.



9PM

Coming back home, Xiaolei posts pictures of her diner on **Moments**, restricting access only to her **close friends**.

**WeRun's** notification informs her that she won the daily contest by having done 23,000 steps. It automatically donates 2 yuans to charity.





**How did WeChat  
become a way of life  
in China?**

From customer  
centricity to  
customer  
obsession



“ Being a product creator is like **being in a relationship with the users.** Otherwise, it’s only a business transaction. Product managers must have big hearts.

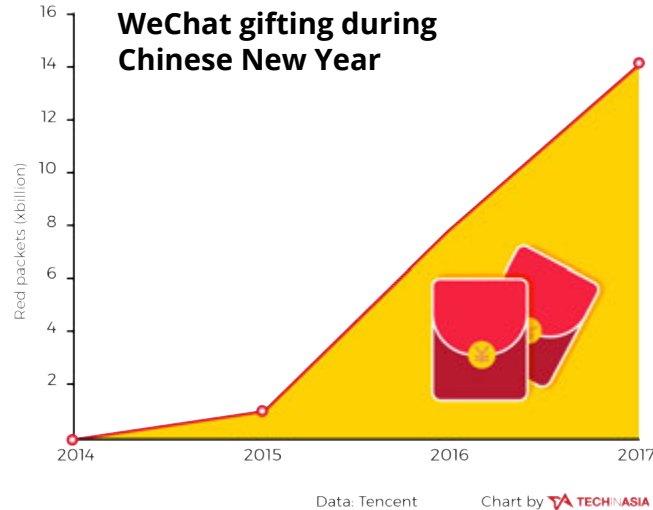


**Allen Zhang**  
founder and CEO of WeChat  
Weibo post 2011



**Red envelopes:  
more than a  
feature.  
A tradition  
reinvented.**

In 2014, WeChat digitalized the **Red envelopes** and shook up an old tradition deeply rooted in the Chinese culture where people give each other red envelopes with money inside for anniversaries or other festive occasions.



A few elements greatly boosted the user pick-up of this new feature:

- 1/** Attaching a feature to a **preexisting usage** and cultural context (numerology, red = lucky color)
- 2/** Specific features betting on **gamification**, **variable reward** and **group effect**
- 3/ Promoting the feature** among tight knit social circles and then extend the use to more distant circles like street merchants and online stores



“It was really impressive! This year’s Pearl Harbor attack was indeed beautifully planned and executed”

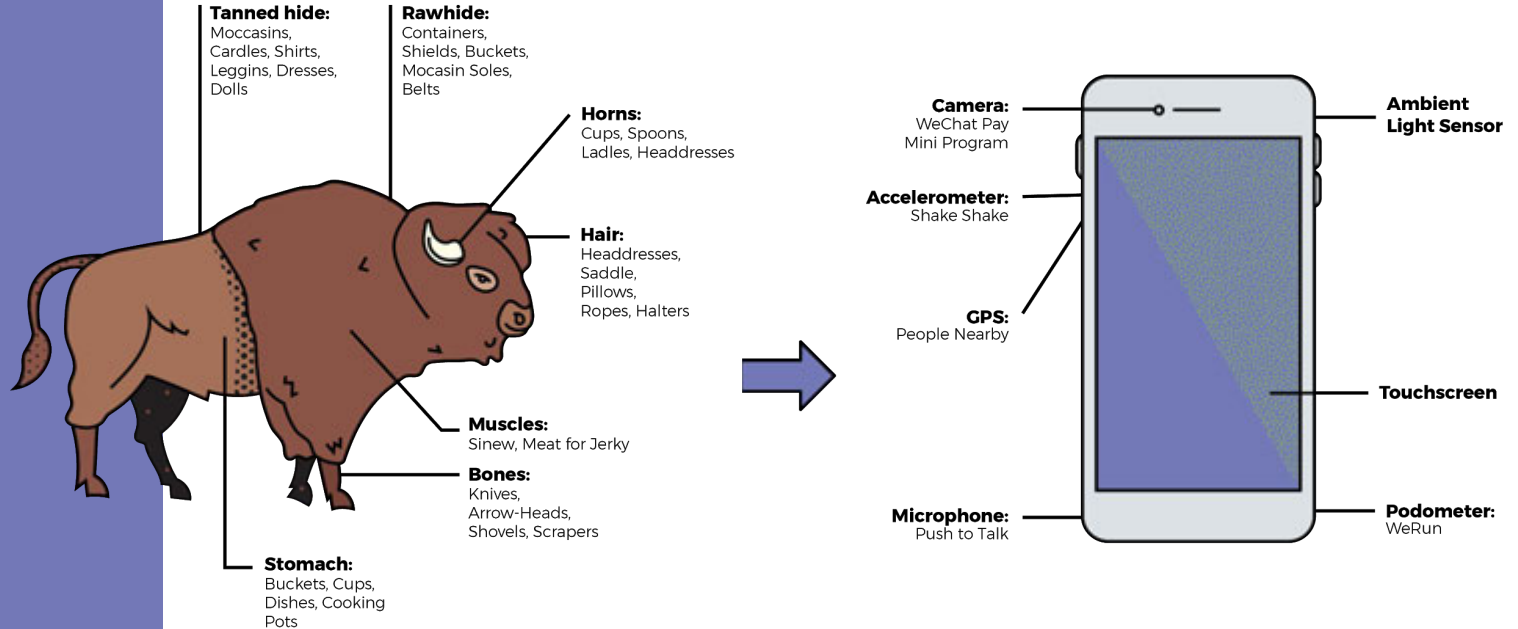
**Jack Ma**  
Chairman of Alibaba Group

# WeChat used every part of the buffalo

“Smartphone is the third hand for humans”

Allen Zhang

WeChat completely went away from the desktop development mode and exploited all possibilities offered by smartphones to build the first massive mobile-only app.



Native American hunters maximized the buffalo's potential. There was no waste as all the parts of the animal was either used as nutrition or reused.

Designing a mobile-only service means making the most of all the sensors and capabilities that a smartphone can offer.

## Shaping new national experience standards:

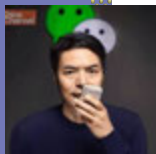
### QR code

80 million

QR codes scanned every day with WeChat

\$6,000Bn

Mobile payments generated by WeChat Pay in 2017  
Vs. \$450Bn for Paypal



“

The entry point for PC internet is the search box.  
The entry point for mobile internet is the QR code”

Allen Zhang  
founder and CEO of WeChat, 2012

The Quick Response system (QR code) became popular outside the automotive industry in Japan in 1994. Massively promoted by WeChat from 2012, the **QR code truly became the tipping point** for China's online-to-offline frenzy.

For Tencent's CEO Pony Ma, a QR code is a “label of abundant online information, attached to the offline world”. It has reshaped many aspects of the Chinese society:



#### Social interaction

People no longer have business cards, they directly scan their QR Code to connect



#### Payment

Simplification of payment transactions for both customers and sellers: a cashless society



#### Marketing

Good way for brands to interact with their customers, promote official accounts and collect relevant data



#### Access to information

Sending web links or making online searches have been replaced by QR codes



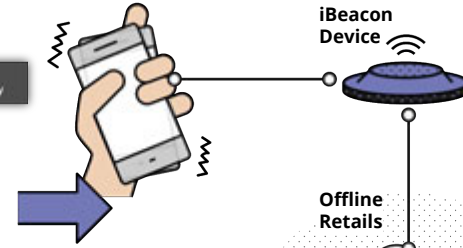
## Shaping new national experience standards: 'Shake'

'Shake' is one of WeChat's early features that has become a characteristic of the app.

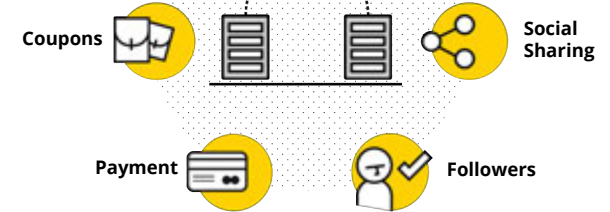
### 'Shake' GPS + Accelerometer + Bluetooth



At first, it was made for people to **randomly find a person** to chat with.



Afterwards, this functionality allowed users to **find nearby stores and interact** with many connected physical elements.



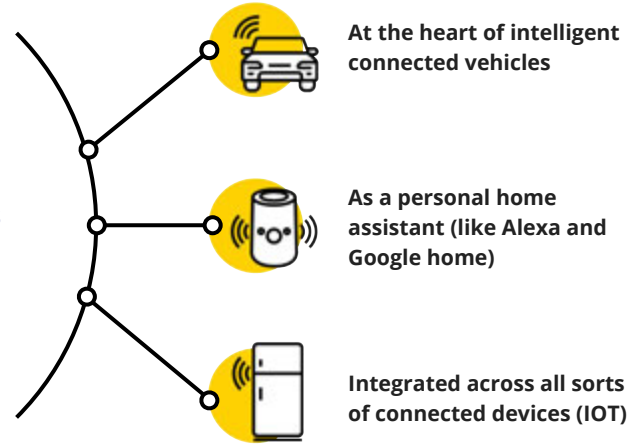
Woman using WeChat Shake functionality in Metro shop in Shanghai

→ The 'Shake' functionality is so successful that it has been completely integrated in the Chinese society as a whole. People shake to get information, coupons, special offers or free samples.

# WeChat keeps shaping tomorrow's lifestyle

In the same way, Tencent moved from the PC-world to the mobile world, the future of WeChat is likely to turn into an intelligent interaction medium. This move is part of the Tencent strategy to expand into the industrial internet.

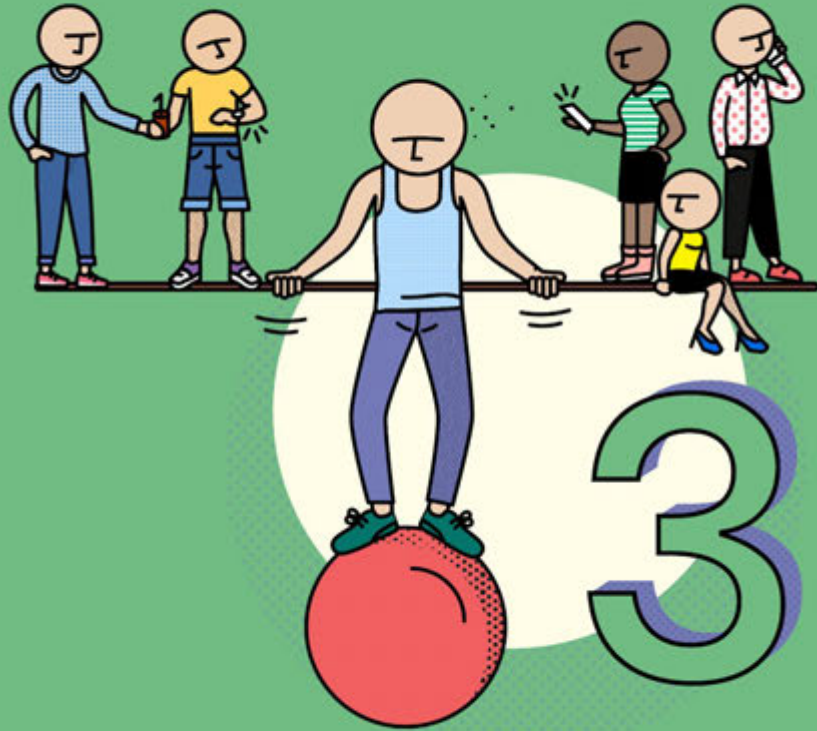
WeChat will soon introduce a **Siri-like digital assistant named "Xiaowei"** that will be linked to a myriad of Tencent's services, as well as mini-programs run by third parties.



“

It's undeniable that at some point in the future we will stop looking at this small screen in our pockets”

**Matthew Brennan**  
China Channel



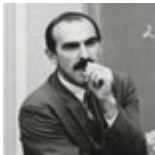
**Value is a  
dynamic  
balancing**

# A customer hires a product to do a job

In essence, WeChat is a digital Swiss Army knife.

As a lifestyle tool, WeChat is here to help **users improve efficiency, rather than let users waste time in its ecosystem.**

For mini-programs, WeChat has adopted a designer approach by reducing the time required to complete an action.

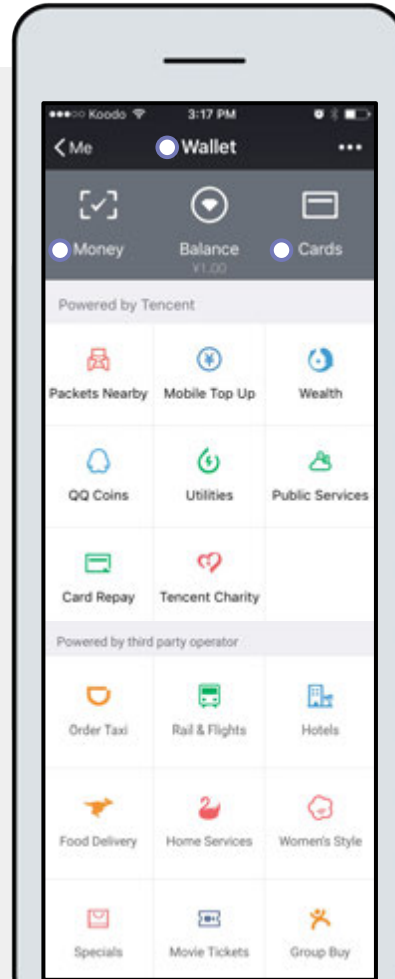


“People do not want a quarter-inch drill, they want a quarter inch hole”

**Theodore Levitt**  
Marketing professor  
at Harvard Business School

Source: Ben Thompson

Wallet is the  
key feature  
to build a  
'super app'  
model



A unique  
access point

One-click payment  
solution

Seamlessly  
integrated  
ecosystem  
of services

Source: Ben Thompson



**How did WeChat  
succeed in addressing  
every problem while  
remaining consistent?**



## Enabling seamless experiences by shortening path to services

Mini-programs are basically an app-store within an app **which transforms WeChat into a mobile operating system.**

### x4 faster

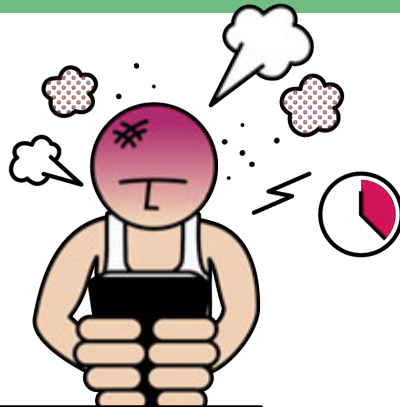
It took Apple 6 years to get 1 millions apps, WeChat only needed 1,5 years

### 200M

DAU of mini-programs as of October 2018

### 20-30%

of the user traffic coming from mini-programs, mostly through P2P sharing



#### In the West

10 min

- Go to an app store
- Download Mobike's app (cross fingers for internet connection)
- Delete apps or contents to have more space
- Open Mobike's app
- Create a user account
- Login
- Add your credit card
- Scan the bike's QR code

Use the service

- Enjoy your ride
- Be billed



#### Meanwhile in China

10 sec

- Open WeChat
- Launch the mini-program (or scan a QR code)
- Scan the bike's QR code




Use the service

- Enjoy your ride
- Be billed

## Advertising is not the only way to be profitable

Efficiency is more than a marketing positioning; it is at **the core of WeChat KPIs**.

Platforms like Facebook or Toutiao **monitor the time spent** on their services: the more users spend time on the service, the more money they get through ads. As a consequence, their newsfeeds are **AI-driven to optimize the content and user retention**.

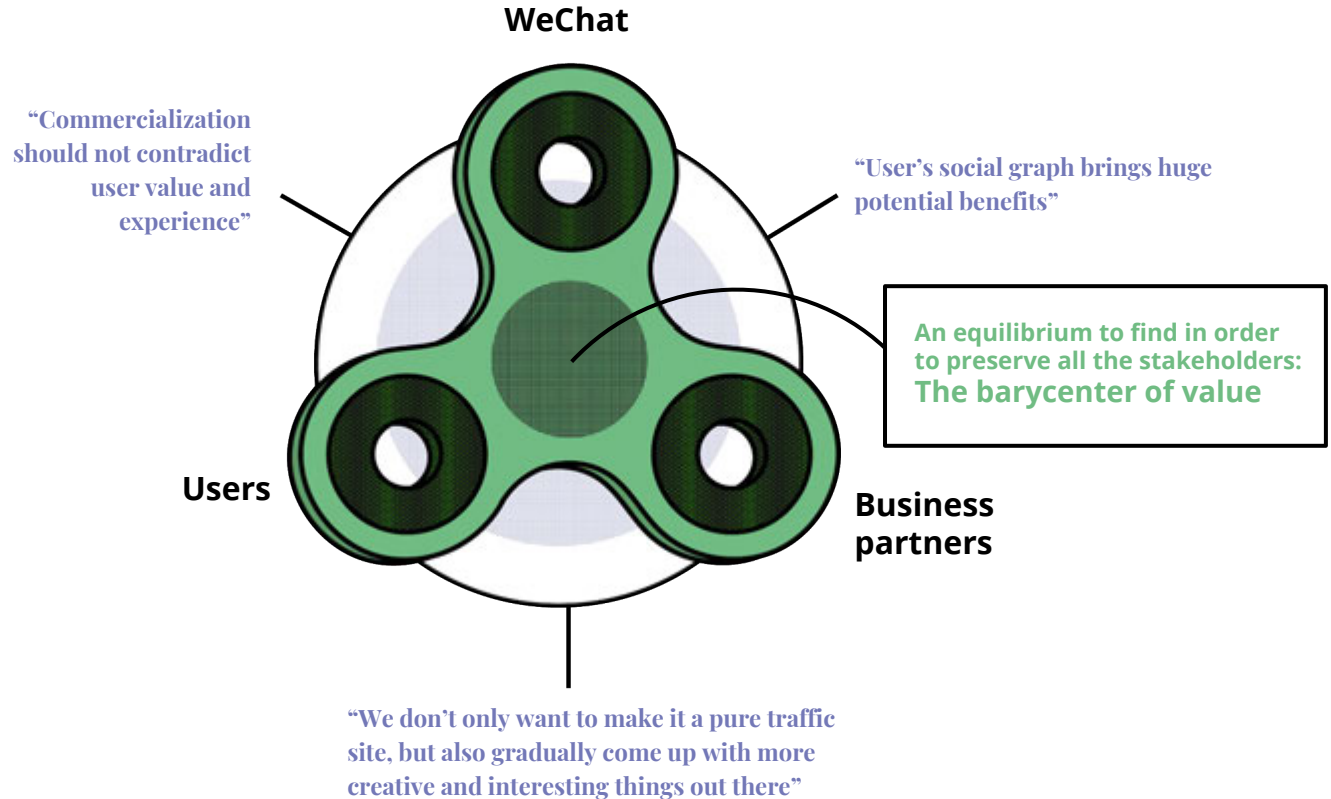
		Mean	Metrics / KPI	Lever for growth
<b>What I do on</b> 	Scroll, scroll, scroll...	Artificial intelligence	Maximize attention and time spent	Not yet connected individuals or companies. Launch of new sticky features
<b>What I do on</b> 	Scroll, scroll, scroll...	Artificial intelligence	Maximize attention and time spent	Not yet connected individuals or companies. Launch of new sticky features
<b>What I do on</b> 	Use and go	UGC and sharing	Jobs done	Not solved pain points for individuals and companies. Answer to new JTBD

WeChat thrives to stay a productivity tool with a **unusual approach**: newsfeed is a pure experience of **peer-to-peer sharing and recommendations** (messages, pictures, official accounts, mini-programmes).

# Within WeChat, value created is equally distributed

WeChat is paying great attention to its users and incentivizes the ecosystem to follow design rules established by Allen Zhang himself.

WeChat redefines interactions on both B2C and B2B side and controls the UX provided by third party players, in order to ensure long term growth of the whole ecosystem.



## Commercialization should not contradict user value and experience

“ Ads in the messaging window was never a viable option for us, unlike our friends at Google or other companies.

David Wallerstein  
Tencent CXO

Not pushing too much ads is a **strategic decision** to ensure WeChat is about usefulness and task completion, and **not another advertising platform**.

### WeChat is the backbone of Tencent



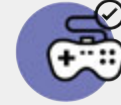
18%\*  
Ad

WeChat shows only **2 ads per day** vs 1 ad every 10 posts on Facebook. Ads from WeChat feed generate **93% less** revenue than Facebook's daily active user.



17%\*  
Payment  
and cloud

WeChat accounts for **70% of these revenues**, through mini-programs and WeChat Pay.



65%\*  
In-app items

WeChat is like a **distribution platform** giving access to a range of Tencent services.

## User's social graph brings huge potential benefits

WeChat aims at making business partners **better at delivering their user experience** so that end-customers feel happy to stay in WeChat's ecosystem.

### A Spark Program to support third parties A \$15 million fund launched in 2016



The Spark Program will support service providers in terms of operating, material and technical expenses

The incentive plan covers a wide variety of industries including catering, retail, tourism, or transportation

**\$1,500 gift packages given to boost growth of small service providers.**

### Manage your community on WeChat

**Official accounts: Membership, membership, and membership**

Official accounts may be compared to a **very complete CRM tool** for brands to manage their audience.

#### **Xiangqi Youxuan**

Xiangqi Youxuan's official account is operated by a small team of 22 people.

At the first participation on the Single Day (11/11), they reached 1.5 billion RMB (around \$220M) sales on 2018.

## A creativity-centric model that has changed the language of product marketing

Users x Partners

**WeChat works on virality.** To emerge, a brand, a service or a product must be shared with friends.

Due to the fierce competition and the restrictive amount of ads on WeChat, brands must show **high level of creativity to create engagement**, especially in retail and luxury.



### Coffee box

Consumers could design and operate their own online coffee shop and sell coffee to their friends. The coffee was then delivered right to the friend's doorsteps.

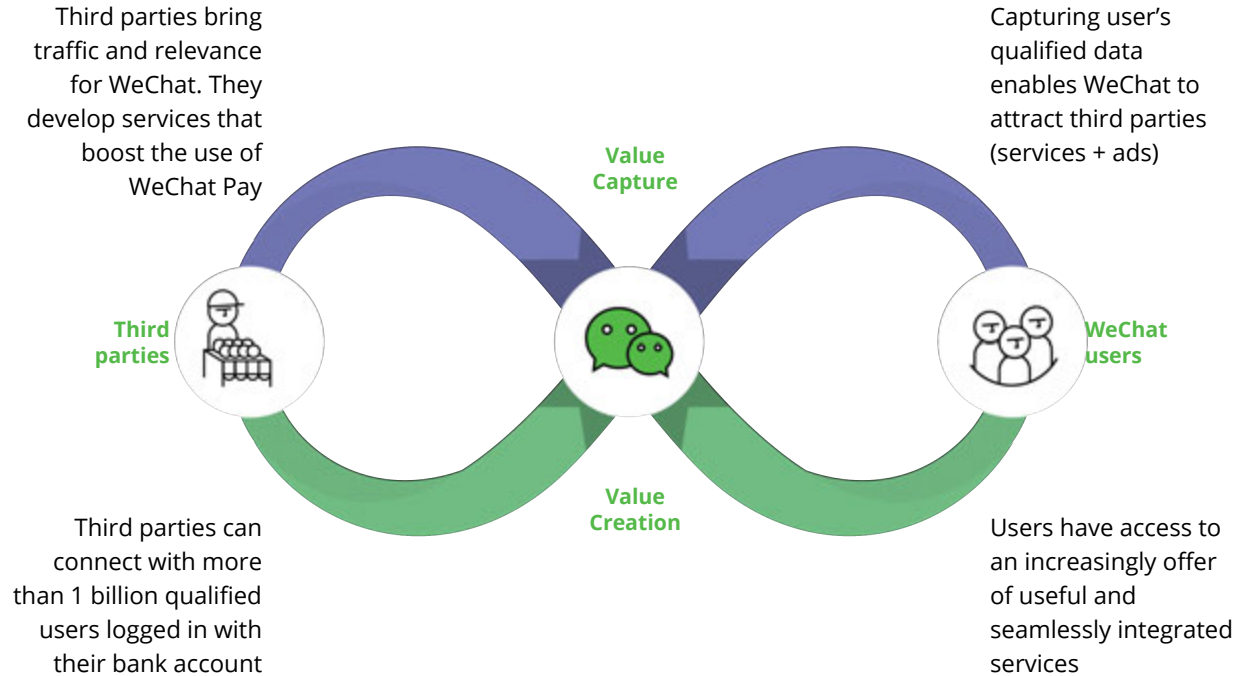


### Breitling

In a gamified H5 environment, users could receive a phone call from Daniel Wu, which lead them to explore the new brand message and signature products. This generated a high social buzz with more core fans and engagements on the organic content.

# WeChat captures value where it creates it

Tencent has set in place a balanced business model to increase user base, as well as business acquisitions and retentions:





**Network size  
is the new chic**



# WeChat, the perfect business springboard

Chinese group-buying platform Pinduoduo uses **WeChat's traction to grow**. It's the **fastest growing e-commerce business** in a highly competitive sector **thanks to mini-programs**: between March 2017 and August 2018, **Pinduoduo MAU have increased from 3% to 31% of Alibaba MAU**.



Users can invite friends to use **Pinduoduo** in exchange for cash.



Pink is the price to buy directly, red is the price to group buy?



**Pinduoduo** activates by default “automatic payments”

Once enabled, payments can be done without password



“By rolling so many functions into one single app, **WeChat has changed the definition of virality**. It's no longer images or tweets, or videos that can go viral, **it can be a business**. The aligned incentives of Tencent mean all businesses get the potential benefits of a user's social graph.”

**Viktor Makarsky**  
Entrepreneur, CEO of Menu3

The company was founded in September 2015 and went public at a **\$24B valuation**. **Pinduoduo** is a member of WeChat's holding company (18,5% of PDD's stakes).



**How did Tencent  
use WeChat as a  
playground to set its  
domination?**

## Share your audience

Through APIs, companies can give external businesses access to dedicated functionalities and assets. **WeChat goes beyond: it shares its existing user base with brands and businesses.**



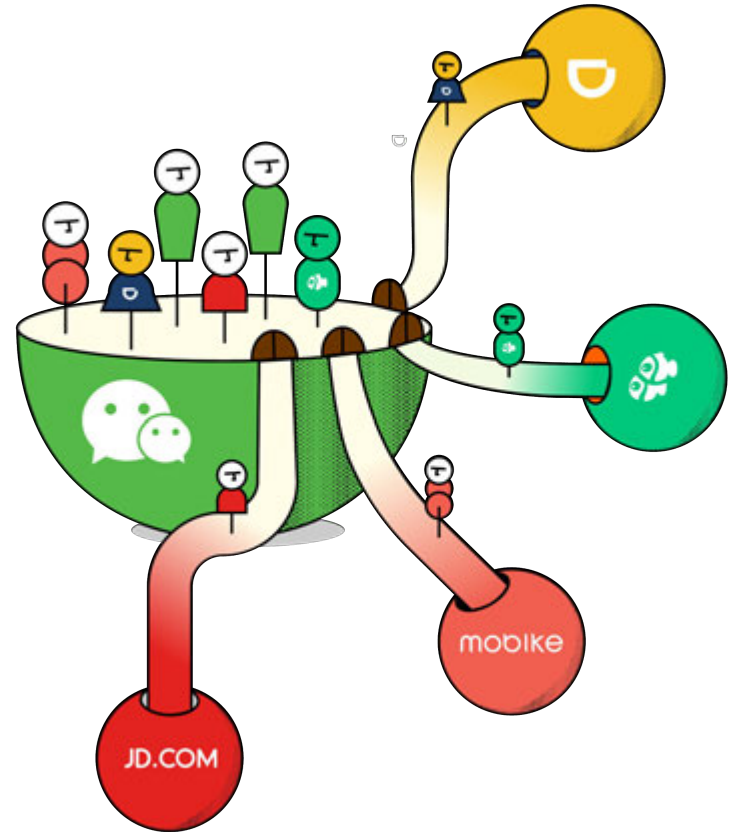
In the internet economy, what matters is **direct customer connections**.

The objective of Tencent is not to take control over companies but to **take control of the distribution of the service**.

This strategy is a way to **aggregate even more traffic within** its app, in order to become a one-stop shop for any service.

“ This is the secret of so many **chinese companies**: sharing their user base and sharing their traffic to **retain mind share and relevance**”

**Connie Chan**  
Partner at a16z

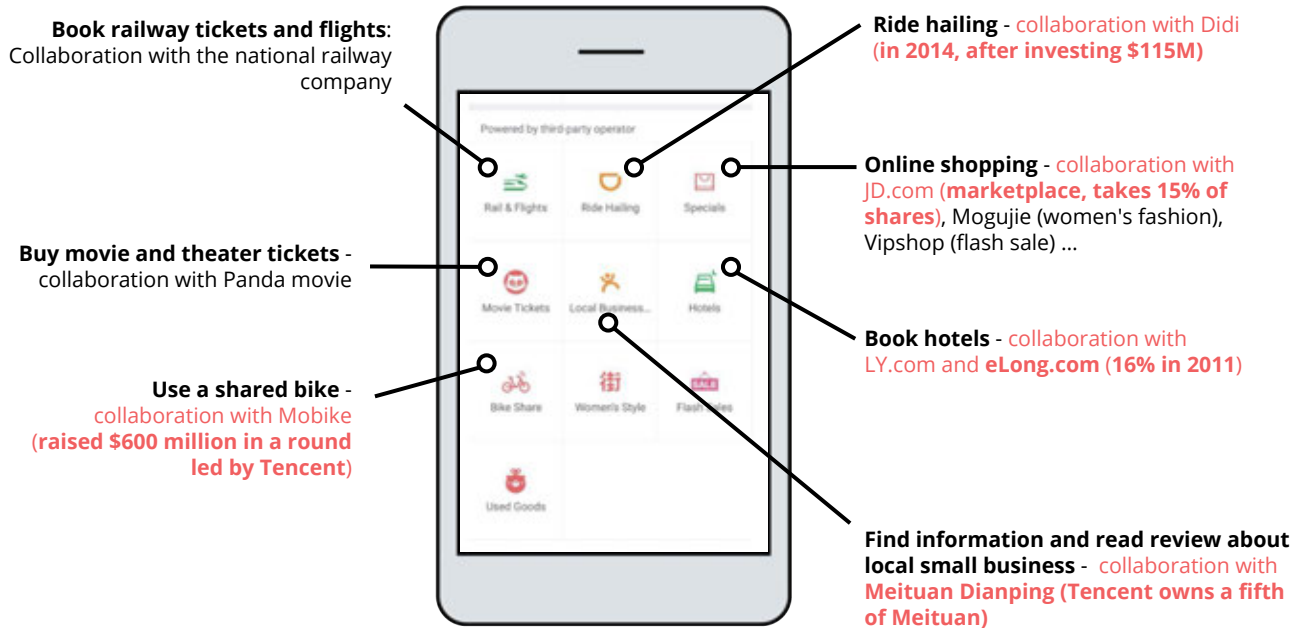


# Pick your champions

Due to its position – meeting point between users and suppliers – **WeChat is in a privileged position to spot promising business** and make the best of them succeed.

WeChat is a framework in which businesses can grow and prosper

**WeChat picks up the best service providers** and adds them into available slots on its wallet. Being directly available on WeChat's wallet is like being featured on the front page of a magazine: there are Wallet's featured services... and the others.



# Ecosystem growth is the measure of real leaders... and their best weapons

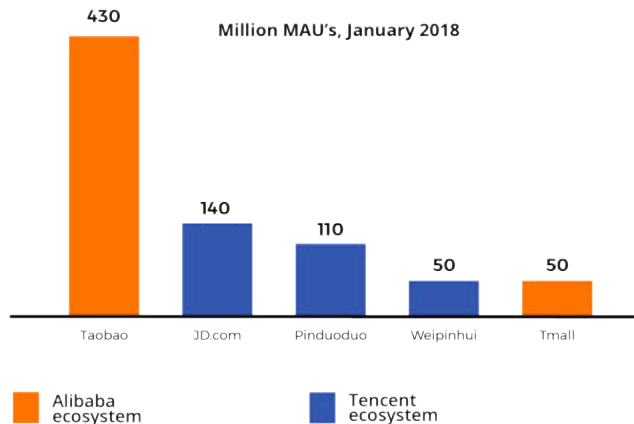
## The Softbank of China

65B\$ have been invested by Tencent in 350 companies since 2012.

Thanks to these investments, WeChat is able to **better fight competitors**, such as Alibaba, which wages war against **WeChat for traffic and customer acquisition**.

Source: Bernstein Research  
\*Quote: Yingzi Yuan

Tencent is not only service provider, it is an ecosystem builder that re-organises competition: Tencent **picks out excellent startups and fosters these companies as its 'descendants'**\* to ensure its long-term domination over competition.\*



Source: Jiguang data (jiguang.cn) WalktheChat Analysis

“Tencent creates value by connecting to its ecosystem the startups that it backs.”

Nicolas Du Cray  
Partner at Cathay Innovation

# of unicorns backed

Tencent 腾讯	28
	25
	11
amazon	0
	1
	1
	5

Source: CB insights

**GAF**A defend their castle whereas **BATX** expand on many verticals



The purpose of Chinese investments is to **build a system of allegiance to the group.**

After receiving investment, the company will have to ingrate with the ecosystem of the group and reject the competing ecosystem.

“ Chinese and Western companies tend to have a dramatically different **approach to expansion.** In a few words: Western companies build products, while **Chinese companies build ecosystems.**”

**Thomas Graziani**  
Co-founder, WalktheChat

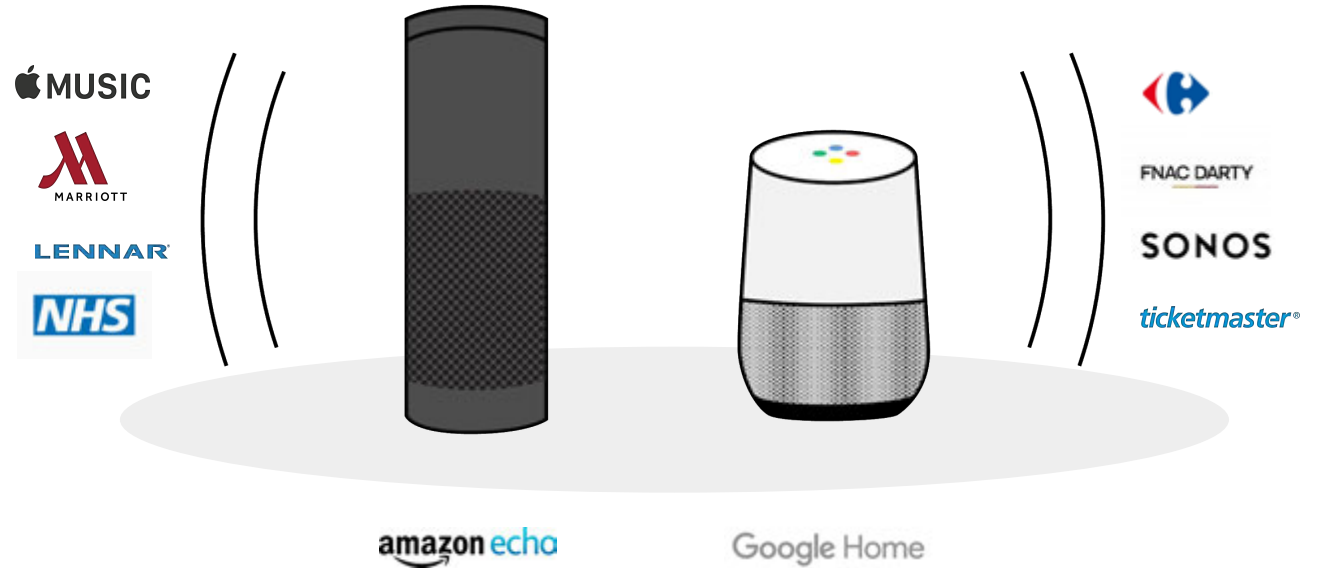
## Your ecosystem is your value

“Digital China is mostly a team sport”

Jeffrey Towson  
Expert on Digital China and  
Digital Competition

Voice assistants are killer devices for many brands, particularly for retailers.

If the technology is important to attract users and developers, **the main difference lies on the integrated ecosystem that the users will have access to.**





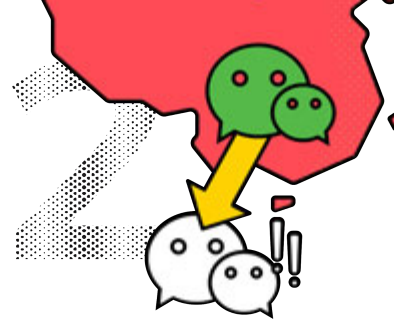
**WeChat** is eating  
the world



# Foreign expansion is a hard nut to crack

A global marketing campaign was launched in 2013, introducing a lighter version of Wechat in 15 countries.

**It failed for 3 reasons:**

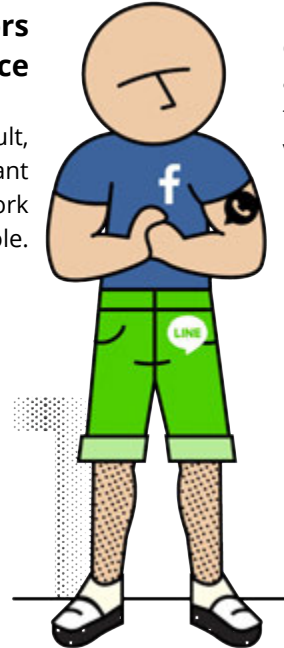


## Weakened value proposition abroad

Introducing new markets without building the ecosystem upstream, leads to a decrease in the attractiveness of the app. Users didn't have access to the Wallet and all functionalities that make the value of the Super App.

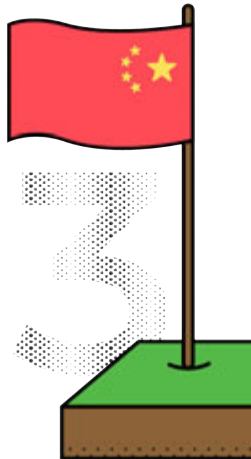
## Strong competitors already in place

Entering mature markets is difficult, especially in the case of an instant messaging app, where the network effect plays a major role.



## Different Culture

WeChat is very Chinese-centric product. Efforts to adapt to local cultures have not been sufficient, creating a discrepancy between users' expectations and Wechat offer.



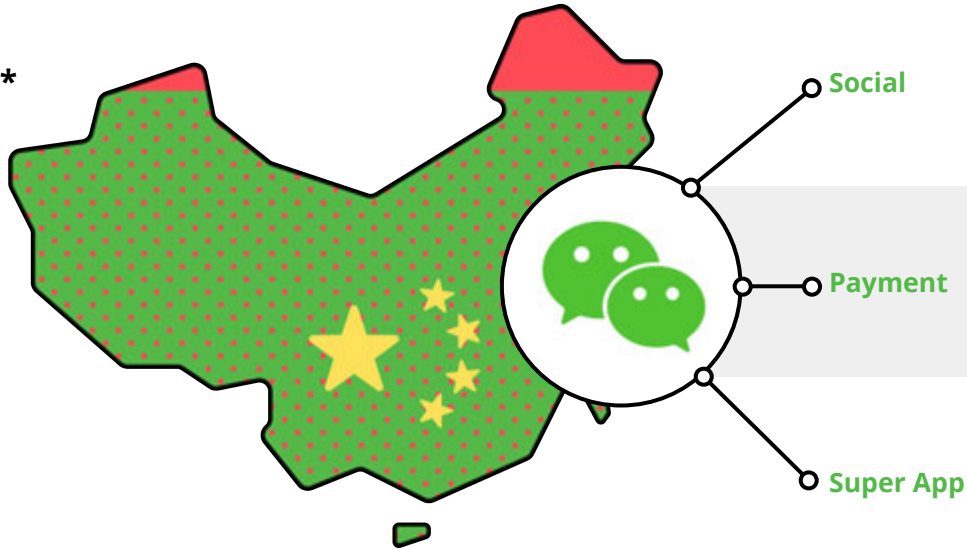
“As American companies have learned in China, products that work well at home sometimes get lost in translation.”

Emily Parker  
MIT

# WeChat reaches a growth cap in China and competitors are emerging

WeChat already have most of Chinese users

**92%**  
penetration\*



Competitors are coming from everywhere



Tik Tok



多闪

## Byte Dance

Content platform launched in 2016, it now has more than 500m users worldwide



Alipay

## Alipay

54% market share in China, vs. 40% for WeChat Pay



美团  
meituan.com

## Meituan-Dianping

Launched as a food-delivery platform, it's diversifying its services

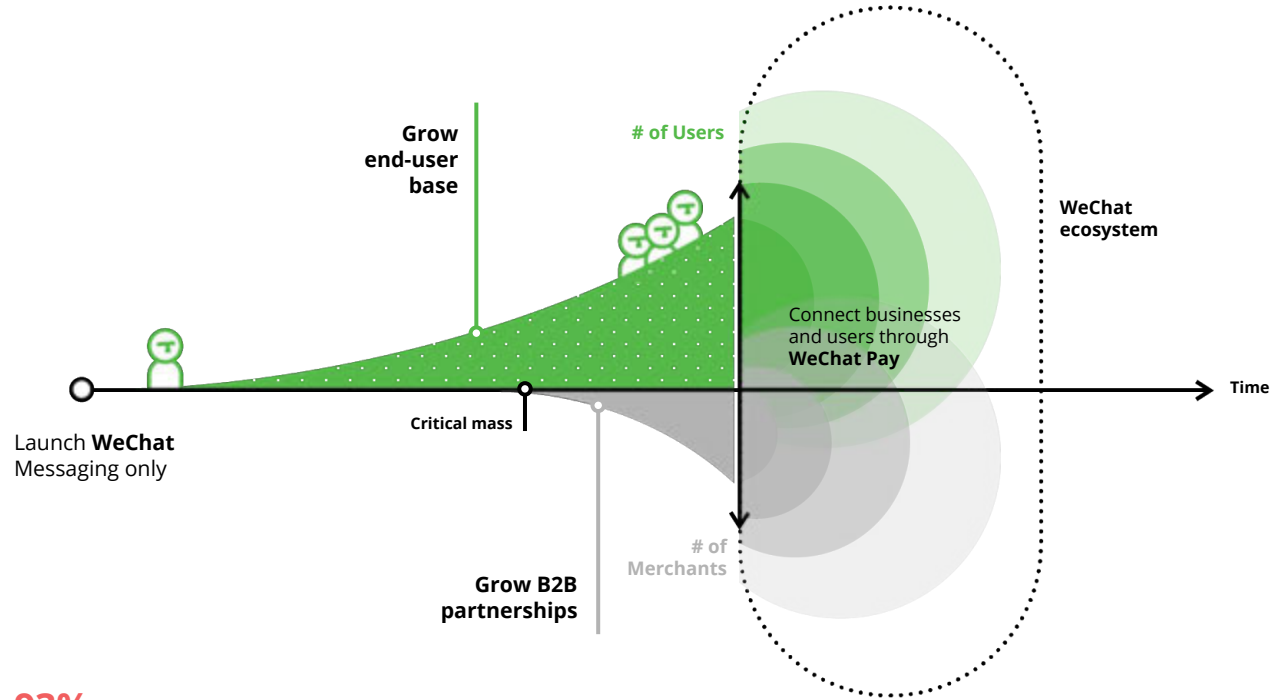


**What strategies  
WeChat chose to  
expand globally?**

# Replicating the entire model in relevant markets

South-East Asian countries are particularly WeChat-compatible markets.

By conquering new markets this way, WeChat is able to extend its user base:



**93%**  
of penetration rate in Malaysia\*

WeChat has been launched in 2012 as an Instant Messaging app. Since the activation of WeChat Pay in 2018, the value proposition is similar than in China.

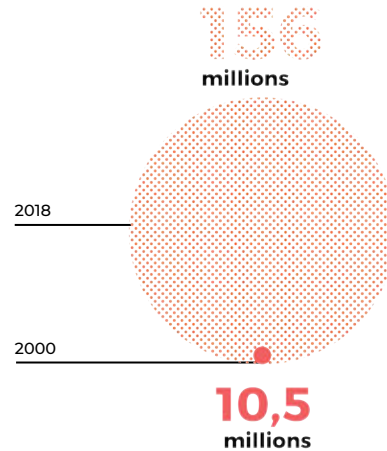
\*WeChat active users/ total internet users

# Capitalizing on Chinese diaspora to increase revenue through WeChat Pay

WeChat is not looking to replicate the same business model in the West.

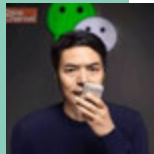
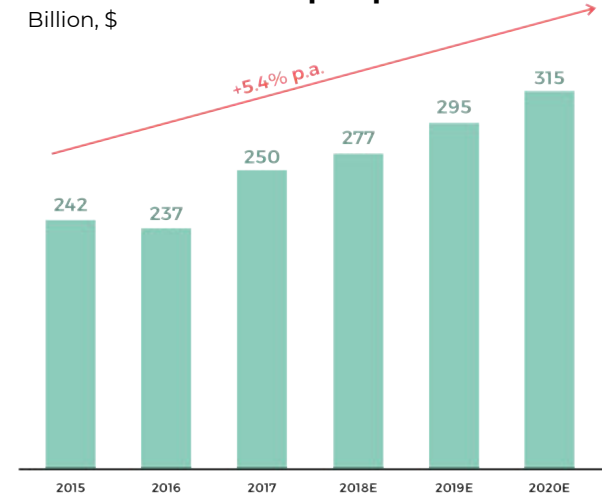
Instead, its focus will be on bringing international brands to its platform to sell more to the Chinese, alongside services for Chinese travellers abroad.

## Annual overseas visits



## Total outbound trip expenditure

Billion, \$



“

WeChat has already reached the threshold of 1 billion users. WeChat's goal is not to expand the number of users now, we have to think about providing services for existing users.

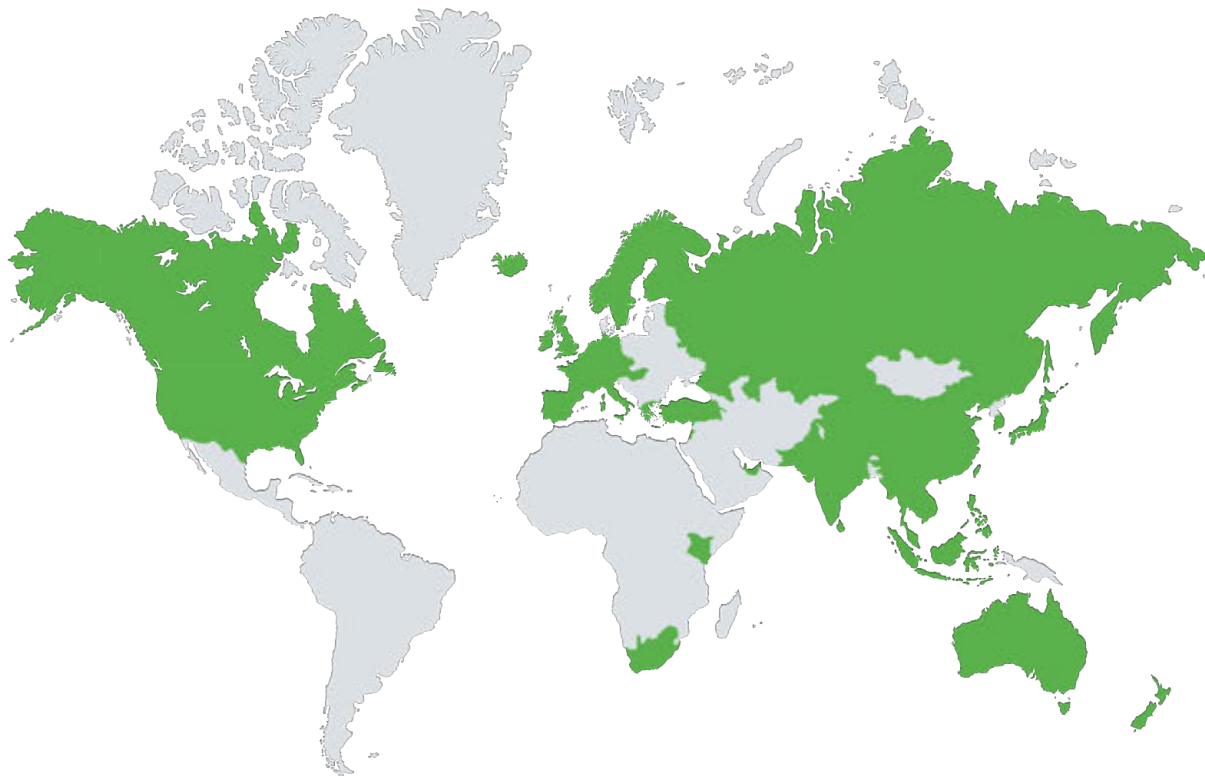
**Allen Zhang**  
Founder and CEO of WeChat

**WeChat Pay  
is WeChat's  
beachhead**

**49 countries**  
where WeChat Pay is available

**18 currencies**

## Where can you pay with WeChat Pay in 2018?





# What are you waiting for?

**For a private presentation, please contact:** [client\\_office@fabernovel.com](mailto:client_office@fabernovel.com)  
**For media inquiries, please contact:** [medias@fabernovel.com](mailto:medias@fabernovel.com)



## Research

---

### Paris-based team

Nicolas Cabanes  
Guillaume Gombert  
Valentin Le Blan  
Tom Morisse

### Shanghai-based team

Rachel Daydou  
Xiaolei Gu  
Patrice Nordey  
Jingjing Shen

## Communication

---

Joachim Martin  
Marina Dislich  
Zineb Akharraz Torikian

## Design

---

Audrey Da Cruz  
Benoît Talabot

## Special thanks to external experts

Matthew Brennan  
*Founder of China Channel*

Nicolas Du Cray  
*Partner at Cathay Capital*