HOW WECHAT HAS CHANGED THE FACE OF MARKETING IN CHINA

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ABSTRACT: This paper discusses WeChat and considers how and why it has totally changed the way that marketing is done in China. WeChat is able to seamlessly join together a plethora of activities that combine several different platforms that are separate entities (e.g., Facebook, LinkedIn, PayPal, etc.) in the United States and the rest of the world. We first examine the censorship in China in the past and present, provide a short history of WeChat, and present the current status of WeChat with respect to several measures. We then delineate how WeChat is different from any other social-media platform, and how it is able to positively infiltrate virtually all aspects of Chinese consumers’ lives. Lastly, we discuss how WeChat has already been emulated by other social-media platforms, and what to expect from WeChat in the future.

KEYWORDS: WeChat, Marketing in China, Social media, Mobil technology

INTRODUCTION

With over 1.3 billion people living within its borders, China has the largest population of any country in the world. How does such a large country (the fourth largest in terms of land mass) and such a large number of people stay connected in the 21st century without apps like Facebook, Twitter, and Instagram? The answer, it seems, is WeChat. WeChat has transformed the way Chinese communicate and interact with each other and, in effect, has also changed the way brands, stores, and businesspeople promote themselves and interact with their customers. WeChat is not just a social networking app; it is a platform that integrates the functionality of all of the major global networking systems into one place. It also has over 706 million Chinese users, more than half the population of China (eMarketer, 2016). This paper will explore how WeChat developed and how it has changed the way companies do business in China.

Chinese have overcome censorship by inventing platforms that allow them to interact the same way uncensored countries do, and more. WeChat has fundamentally changed the way companies in China do business, as well as the way consumers interact with each other and with companies. It is a tool beyond anything in the U.S. (United States) or other countries. WeChat has personal data, similar to Facebook, company data, similar to LinkedIn, payment and consumption data, similar to PayPal, all in one, while also storing and using data that links people to all aspects of their lives. Through WeChat, companies can target consumers directly...
based on their tastes, their opinions and attitudes, and what they have previously purchased, while also interacting directly with them via the app. It has changed marketing in China and has the potential to change it globally.

CENSORSHIP ENVIRONMENT IN CHINA

Censorship in China goes back to the earliest age of the country’s history. In the early 1980’s, the very beginning of the Internet age, the Chinese government began laying the foundation of what would later be known as “The Great Firewall.” Since that time, the Chinese government has succeeded in largely restricting the information, websites, and content available on the web for Chinese citizens. China blocks websites that it deems harmful to the harmonious nature of the country and censors certain, specific words, including “democracy” and “human rights.” According to CFR Backgrounders, China was ranked 175th out of 180 countries in terms of press freedom by Reporters Without Borders, an international nonprofit organization whose goal is freedom of the press (Present Day: The Great Chinese Firewall, 2014). The Chinese government has convinced large, international, U. S.-based corporations, such as Yahoo, Google, and Microsoft to provide information on citizen’s activities, block content, and, in some cases, to hand over to the government access to control the website (James, 2009). This censorship restricts information from flowing into China and, seemingly, holds citizens back from expressing themselves and their views. Restrictions lightened during and just after the Beijing Olympics in 2008, but shortly thereafter, democracy supporters used the Internet to circulate a petition against the government. After this, the Chinese government cracked down even more on censorship. Despite the restrictions and the long history of censorship in the country, many citizens (80% according to a recent Pew Research Center survey) believe that the Internet should, indeed, be managed and restricted. In general, however, the Internet will always be difficult to control and people will always try to find ways to express themselves, even with a government trying to block them. As Randy James of Time Magazine writes, “[The Internet] is like a water flow — if you block one direction, it flows to other directions, or overflows” (James, 2009). This push and pull of the citizens of China and the government led to the development of a home-grown networking platform, WeChat.

WECHAT – HISTORY & CURRENT STATISTICS

Known in Chinese as Weixin (微信) meaning “micro letter,” WeChat was developed by Chinese technology conglomerate Tencent in 2011 as a mobile text and voice messaging communication service. By 2015, the platform boasted some 600 million daily-active users (Bao, 2015). Its tremendous growth over the last five years disrupted the telecommunications business, by replacing the need to send SMS, and even replaced the need for phone numbers, as people share their WeChat IDs, rather than phone numbers or e-mail addresses. Moreover, since its launch, WeChat has developed an array of applications within its own app. For example, it added a payments system connected to JD.com, one of China’s biggest online stores, ensuring that people increasingly shop on WeChat’s own platform. This, in turn, hurt China’s e-commerce giant, Alibaba, dominant on the e-commerce scene until then (Rein, 2015).

As of the end of 2016, over 700 million people have downloaded the app and the service as over 300 million daily users, more than any U.S.-based networking app, including Facebook and Snapchat. WeChat also has more functionality than any other application. Its basic usage
is for voice calls and text messages (both typed and voice recorded). However, the app does so much more. The app is basically a Swiss-army knife that combines so many components that it becomes integral to most aspects of a user’s life. Beside messaging and voice calling, WeChat offers QR coding for people and businesses, gaming, geolocation searching, blog posting, brand channels, and mobile commerce. In WeChat, a user can hail a cab, pay the cab, and send friends his/her location during the cab ride. Celebrities have begun using WeChat as a way to interact with fans, engage fans with their content, and promote themselves and the brands they sponsor. Brands use the app as a means of adding their own “Subscription Accounts” which offer special channels for communication with their customers. The functionality of WeChat is ever growing and multiplying as the number of users is growing and the usage of the app is growing (What is WeChat, 2014).

The current user base of WeChat is primarily teens and young adults (60% of users are between the ages of 15 and 29). The average number of friends these users have on WeChat is about 128. The peak buying times on the app for those in this age demographic are 10am and 10pm and the most popular items purchased in September 2015 were phone battery packs, fall clothing, and selfie sticks. On average, male shoppers spent one third more than female shoppers per month on the app. The average user reads one book a month and the most popular articles read and searched from vary by age. Older WeChat users are primarily focused on Health and Wellness, middle-aged users are focused on National News, and younger generations are more focused on pop culture and Entertainment Gossip. Users appear to be most active on the app during the summer and appear to be happiest and most receptive to branding during Spring Festival and Mid Autumn Day (Tanner, 2015).

WeChat has more reach in China than any other communication or marketing channel and has more functionality to reach users than any other means. WeChat is enjoyed not only by users in Tier 1 cities, but is used all over mainland China, although as might be expected, penetration is significantly higher in tier 1 cities. Figure 1 indicates penetration of WeChat by city tier (Tanner, 2015).

![WeChat Penetration by City Tier](image)

**Figure 1: WeChat Penetration by City Tier**

WeChat is the leading social media app among social media users in China and reaches across China, not just in major cities on the east coast of China. Figure 2 shows the penetration rates and the rise in WeChat use, and, correspondingly, the drop in rate of all other sites exceeding 10% penetration (Kantar, 2016).
During a given day, 25% of WeChat users access the app between 11 and 30 times and 21% of users access the app over 50 times (eMarketer, 2016). Additionally, more than half of all users spend more than one hour on the app daily with over 17% spending more than 4 hours on the app. These results are shown in Figures 3a) and 3b) (China Academy of Information and Communications Technology, 2016).

This means that users are engaged in the app, viewing content constantly and offering a constant source of touchpoints for brands and marketers. The app integrates users’ digital presence into one place, making it far easier for brands to interact and communicate with targeted customer bases on a regular basis. It is changing the way Chinese businesses and global businesses entering, or doing business in, China, market and promote themselves and further their brands.

It is interesting to keep in mind that it is only relatively recently that WeChat decided to have a “official” process for incorporating ads (mobile advertising) on its network. While ads did appear on WeChat before 2015, in fact, there was no specified fixed process to arrange for
advertising on WeChat until 2015. In 2015, WeChat began testing an advertising model, reminiscent of Facebook’s native advertising, but with very notable differences. It would allow businesses to target users and post messages onto their “Moments” page, which is, like Facebook’s Newsfeed page, a series of posts collected from the user’s network. However, unlike Facebook’s advertising, where businesses pay per impression or click, WeChat’s advertising is based purely on impressions—where clicks are considered impressions (Kontsevaia and Berger, 2016).

HOW WECHAT IS DIFFERENT

WeChat has changed the way businesses market to consumers. Prior to the Internet and app connecting, businesses in China had a difficult time accessing all consumers. Those in cities could be reached via traditional product placement and promotion tools, but those outside cities were much harder to reach. Poorer areas and poorer consumers did not have access to televisions or other sources of media. Additionally, big data information was not available to businesses, particularly to poorer segments. As the Internet and mobile technology became more prevalent, brands were able to better access the poorer communities in China and reach greater audiences. Similarly, underpopulated areas were finally able to purchase goods they previously could not, due to the lack of infrastructure and retail locations in rural parts of mainland China. The Internet and mobile technology has created a whole new means of connecting with all Chinese citizens of all ages, incomes, and social classes. It has changed the way businesses can connect with and market to customers. Social media platforms, and specifically, WeChat, has further transformed this communication channel and has now made it possible for brands to not only reach all customers and potential customers, but also to target marketing and promotions to the right segments of these people in an informed and efficient way.

Brands and marketers in China can use WeChat differently than they use any other tool for interacting with customers. For example, without WeChat, a brand can make an account on Facebook, promote that account, get users to like the account, and send a promotion to those who have liked it. Using WeChat, this whole experience is changed: “For example, where Starbucks could post an offer for all users on its Facebook page, on WeChat, it could theoretically also allow a user to inquire after their gift card balance, place a favorite drink order, find the nearest store without having to specify intent, or receive a promotion tailored to drink preferences based on the weather in that city” (Chan, 2015). WeChat basically takes the functionality of a brand’s personal application and puts all of those personal apps in one platform. Customers do not need to switch from Facebook to WeChat to a Starbucks app and so on. All is in one place. Because WeChat offers this functionality, the interaction with the customer is able to be more personalized, detailed, interactive, and, thus, more likely to convert to monetary transactions (which can also be done on the app). This is not the only way that brands can interact with customers using WeChat. WeChat, like Facebook and other high volume social networking sites, has endless data on the users of the app. It knows a user’s age, location, purchasing habits, family and friend network, employment status, and major life events. This data is a goldmine for brands that, rather than looking to send mass promotions, are looking to send targeted marketing campaigns to the right people. WeChat’s largest demographic is the set of users aged 18-45, a notoriously difficult group to reach. Using the data from WeChat, brands can target messaging and promotions directly to the target...
market with little to no effort. It does this and holds the user in one place to see a promotion and act on it. And all of this information concerning who sees the promotion, and who acts on it, can flow directly back to the brand. This is not all done in purchased advertisement space, as is the case with Facebook, but is given freely as functionality for account developers for brands.

Because this service is easy and functional for all businesses, the companies using WeChat are not just large-scale global businesses, but small and medium-sized businesses as well. Walking around any city in China, one can see that almost every business, retail space, and even some kiosks, have QR codes making it easy to access a company’s WeChat site and interact with it immediately. Brands can, and do, reach their target markets with a scan of a phone.

Many global brands are already using WeChat as a means of communicating with customers and releasing large-scale promotion campaigns. One of WeChat’s early campaigns was signed with BMW. BMW wanted to target only affluent, educated people in the so-called first and second tier cities (Beijing, Shanghai and other large cities). People who did not fit the targeting criteria saw ads for soda and smart phones instead. People who did fit the category saw BMW ads pop up on their Moments page. The highly-anticipated opening to WeChat’s own platform was noticed by many people, and these people also noticed the blatant targeting. While BMW’s brand soared immediately after the campaign, it soon received a backlash, as people who did not see BMW’s ad appear in their newsfeeds began referring to themselves as diao, a polite term for loser (Loras, 2015). Since then, WeChat has learned a lot about mobile marketing, and has avoided major controversy. As a more recent example, Nike has created a campaign with WeChat which allows a user to follow the brand on the app and send images of color schemes to create personalized shoes based on their WeChat communications. Similarly, Burberry has set up a WeChat campaign that allows users to connect with the brand and communicate with the brand as if it’s a friend they are chatting with. Burberry used this format to promote its Fall Runway Show in 2014. It invited users to connect with the brand on WeChat and communicate to receive personalized messages from Burberry and personalized content (Agency, 2016). An extremely successful example was a campaign by Uniqlo, the Japanese clothing company. As part of their “Style your Life” campaign, they asked people to take pictures of the clothes they tried on in-store and post them online—subscribing to the company in the process. During the campaign, they increased their WeChat followers from 400,000 to 1 million. Sales of key clothing items increased by 30 percent (Doland, 2015).

Other brands have used the app to grow their user bases and reach a larger base of consumers. For instance, in 2014, during the Chinese New Year, British Airways launched a WeChat campaign to broaden its audience. It invited users to connect with the airline via WeChat and promised to send a special New Year’s gift to the first 2014 users that connect with it on WeChat. This campaign garnered the brand over 10,000 new connections on WeChat, growing its British Airways brand awareness and widen its reach to consumers in China. As another example, Pepsi used a similar format to widening its reach. Pepsi reached invited users to connect with the brand to send customized messages to friends and family branded as Pepsi and using the Pepsi jingle. This had a dual marketing effect for Pepsi as it made new users connect with the brand on WeChat, increasing its penetration of key user groups, and also spread awareness of Pepsi to these users’ friends and family, further widening this base of use and awareness.
These creative campaigns all used WeChat in different and exciting ways to promote their brands. These campaigns were unique to WeChat and could not be done in the same way currently using any other app or social media platform. These and other campaigns represent the future for social media marketing and WeChat itself (Agency, 2016).

THE FUTURE FOR WECHAT

The future for WeChat appears strong as a marketing tool for brands and as a global platform. WeChat is slowly morphing into an operating system to rival iOS and Android. In the coming years, WeChat plans to introduce “mini programs,” which are apps within the app. This will eliminate the need for users to download apps outside of WeChat on their phones. As another benefit, this will keep the user in WeChat’s environment for even longer than currently. Users will never need to leave the WeChat world, because the apps they need will be within WeChat’s environment (Wang, 2017). This feature will be especially useful for smaller businesses with limited resources to build their own external apps and gain app awareness in iOS and Android. More brands and businesses will have access to new ways to connect with users and to market to target groups within WeChat.

“IDC senior market analyst Xue Yu said that WeChat’s new feature will be particularly useful to startups and SMEs, since it will be cheaper and much easier to use WeChat’s provided resources to build an app. ‘Established or mature companies which have already amassed a big number of users may not find it necessary to build another app in WeChat because they already have a wide user base,’ Xue said” (Soo & Huifeng, 2016). This new feature shows great promise for WeChat. However, thus far, WeChat has failed to expand globally. Most experts believe that the app’s founders understand China and the Chinese market well but do not have enough data and understanding of global markets to make the app succeed. WeChat needs to understand other markets and create the same positive word of mouth that made it such a success in China (Custer, 2016). Still, it is clear that in the Chinese market, WeChat dominates and presents a unique opportunity for global businesses looking to do business in China. It also demonstrates many opportunities for competitors, such as Facebook, to learn from WeChat’s success.

CONCLUSIONS AND IMPLICATIONS

WeChat’s development was unique, in that it started as a mobile app, not as a website that turned into a mobile app. This allowed it to grow and expand organically without the hiccups that many platforms experience when moving to a mobile environment. This is a lesson to brands to consider the movement to mobile early in development of a web presence. Most experts agree that mobile is the future and brands and businesses need to think clearly about the best way to leverage their mobile presences in marketing and promotion. Brands can also learn a lot from the way WeChat has embraced the different functionalities of its service. Rather than adding apps to meet the growing needs of its users, it continuously adds services and functionalities to the base app. This allows it to compete not only with social media or chat apps, but also with payment apps such as PayPal, taxi apps such as Uber, and shopping apps such as Yelp or Alibaba. As companies are learning about WeChat’s model, more and more are looking to build and replicate their own models based on this technique, offering better and more customized services to users and advertisers alike.
Facebook is beginning to “take a page out of WeChat’s playbook” (Johnson, 2015). The company has already begun to see its own chat feature as a way to integrate fully with brands, offering the API to add Facebook chat to its own webpages. Similarly, the new Messenger Platform in Facebook allows developers to increase the functionality within Facebook-branded sites such as tracking packages and embedding media. Additionally, within Facebook’s Messenger app, you can now make free calls and send friends money, similar to the functionality that has been built into WeChat (Kosoff, 2015). Snapchat, another popular social media app and platform, is also taking a page from WeChat. Snapchat’s founders have realized that one of the key benefits to WeChat, and Facebook, is in its metrics. Businesses want to advertise and market with these apps, due to the data that exists and the targeting that can be done to key segments of users. Despite Facebook and Snapchat’s striving to be more user- and brand-friendly like WeChat, they have a long way to go to develop their case in China. Facebook is still largely blocked by Chinese censorship, so for the foreseeable future, WeChat will continue to dominate in China and present a unique opportunity for brands in, and attempting to be, in China.

Since its inception in 2011, WeChat has grown to be the largest and most popular chat app in China. Its value, however, is so much greater. WeChat has changed the way companies in China do business. It has become a source of marketing, advertising, retail, search, and payment in China and has changed the face of many businesses. It has also revolutionized the way global businesses and brands enter China. Brands can build awareness, following, and conduct target marketing to users simply by building a platform within WeChat. Entire digital marketing agencies in China are focused primarily on developing a WeChat-following for brands and businesses. In just over 5 years, WeChat has transformed the way companies do business in China, and by its unsought tentacles, has changed the way the world has assessed and changed its social-media approaches.

REFERENCES


