



HOW WECHAT'S UNORTHODOX USER DATA POLICY EXPLODED CREATIVITY AND MADE IT THE APP FOR EVERYTHING

WHY A PRODUCT'S BEST FEATURE WILL NEVER BE INVENTED IN-HOUSE

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In Guangzhou, in southern China, the Canton Tower stands across the Pearl River from the city's main business district. Built in 2005, the skyscraper consists of two elliptical shapes twisting around each other at 45-degree angles, like a DNA double helix. The iconic structure that punctuates the city's skyline was China's tallest building for a brief period until a new construction went up in Shanghai in 2013.

In the shadow of the Canton Tower lies the TIT Creative Industry Zone, a neighborhood dotted with a dozen newly refurbished former industrial buildings. A plaque hanging on the red brick wall outside building #84 explains that it used to be a textile factory in the 1950s, then a military building in the 1960s and 1970s, and was repurposed back for civilian use in the mid-1970s. Its penultimate tenant was a metalworking shop that supplied the local auto industry.

Inside, there is nothing to suggest that the place was once a poorly lit shop floor with exposed lightbulbs and deafening noise. There are no machines that could churn out metal widgets. The original multi-story structure has been stripped bare. What exists instead is a modern office with an open layout and white furniture. An atrium floods the interior with natural sunlight. Potted plants, toys, stuffed animals, and beanbags are scattered throughout the lounge areas. Young men and women wearing hoodies, designer sneakers, and angular spectacles wheel across the floor on ergonomic desk chairs like those made famous by Herman Miller, except that these are, of course, copies made in China. At the company's café and restaurant, people pay by tapping on their mobile phone. Credit cards and cash have all but receded into a bygone era. The cashless, cardless transactions are the direct result of WeChat's foray into electronic commerce. Building #84 and three neighboring buildings make up the headquarters of WeChat—China's largest messaging app.

When Facebook bought WhatsApp for \$19 billion in 2014, Credit Lyonnais Securities Asia (CLSA) wrote, "If WhatsApp is worth \$19B, then WeChat's worth at least \$60B." Because WeChat is privately held, any estimation of its true value would be, by definition, purely speculative. But it doesn't hurt that its parent company, Tencent, surpassed Alibaba in 2017 to become China's, as well as Asia's, most valuable company. Valued at more than \$300 billion, Tencent is ranked alongside the best of corporate America, including General Electric (\$260 billion), IBM (\$165 billion), and Intel (\$170 billion). An early investor in Snapchat, Tencent also bought a 5 percent stake in Silicon Valley electric-vehicle maker Tesla in April 2017.

As with all things China, the most astounding aspect of WeChat lies in its rapid ascent. Skeptics dismiss WeChat as merely a Chinese WhatsApp or iMessage. Many outside the country may not have even heard of the service. Still, there are 938 million monthly active WeChat users, a number larger than the entire population of Europe, let alone that of the United States. So, it came as an additional surprise when Juliet Zhu, head of marketing at WeChat, reminded me that the size of the user base "doesn't tell the whole story. You need to count engagement." WhatsApp, for instance, has more than 1.2 billion users worldwide. Facebook—WhatsApp's parent company since 2014—has over 2 billion users. But to Juliet, WeChat has proven itself to be more enticing, for **more than one third of its users spend four hours or more per day on WeChat**. By contrast, users average thirty-five minutes on Facebook, twenty-five minutes on Snapchat, fifteen minutes on Instagram, and one minute on Twitter.

How does WeChat capture so many eyeballs and such long stares? By enabling end-users to be creative, and doing it in a uniquely Chinese way, with engineers focusing as much on user experience as developing new tools for third parties to invent new features on their own.

If Charles Darwin were to survey the internet

In *The World Is Flat*, published in 2007, Thomas Friedman describes how the Internet transcends national boundaries and narrow ideologies by bringing billions of people online. In reality, the Internet has made the world anything but flat. The online world is still a rugged landscape with cloistered communities and echo chambers. The Beijing government, for example, has long warded off foreign websites it deems suspicious. Because of widespread Internet policing and mysterious censorship practices—collectively known as the Great Firewall—you won't spot Google, Twitter, YouTube, or Facebook in the Middle Kingdom.

In their place, a slew of apps that initially bore some resemblance to their Western counterparts have evolved into entirely different species. Western companies have long been accustomed to mobile advertising. Facebook, Google, Twitter, and Snapchat have amassed copious user data to fine-tune ever more powerful algorithms and to help advertisers better target end-consumers. But in China, storing user data could pose a political risk so high that local firms have chosen to find other ways to get consumers to pay, either by charging transaction fees or through in-app purchases—why mine data when customers would pay directly for services? Because consumers across the world have vastly different habits even when using similar technologies, tech giants also resemble a collection of zoological species with functional features highly adapted to their local environments. Companies must specialize as they fight over and protect their market shares.

Take mobile payment as an example. In 2013, WeChat debuted its first payment system—WeChat Pay. One hugely popular feature is the “red envelope,” which lets consumers send virtual packets stuffed with digital cash to families and friends during the Lunar New Year, using their mobile phones. To add a twist to the festive tradition, anyone can preset a fixed amount and distribute it at random to a selected number of recipients. Say you send three thousand yuan to thirty friends; some get bigger hauls than others, leading to grins and cringes all around. It's part social networking, part gaming, and part casual gambling. Between February 7th and 12th, 2016, some 32 billion red envelopes changed hands, up from 3.2 billion during the same period in the previous year.

Besides sending each other money, WeChat users can also pay utility bills and invest in wealth funds. WeChat's parent company, Tencent, had invested billions of dollars in Didi Chuxing (China's Uber) and Meituan-Dianping (China's Groupon) so that people could order rides or shop for group deals without ever leaving the app. In recent years, WeChat has expanded further, including an impressive list of traditional retailers—McDonald's, KFC, 7-Eleven, Starbucks, Uniqlo, and many other well-established names, well beyond the countless mom- and-pop stores that have long embraced WeChat Pay. In describing this social and economic phenomenon in China, the *New York Times* wrote, “cash is rapidly becoming obsolete”.

Today, shaking one's phone via WeChat is a popular way to find new friends who are also users. Waving it in front of a television allows it to recognize the current program and gives viewers the opportunity to interact. WeChat has effectively rolled Facebook, Instagram, Twitter, WhatsApp, and Zynga all into one. Rather than being a stand-alone messaging app,

WeChat is an indispensable mobile tool for booking doctors' appointments, settling hospital bills, filing police reports, reserving restaurant tables, accessing banking services, holding video conferences, playing games, and much more. To fuel the growth of this monster app, self-reliance would never be enough. WeChat needs to enable users to be creative, far more aggressively than Google and Facebook, to develop new services that run on top of its social media platform.

Mass-producing decisions

In late 2012, seventeen people inside WeChat experimented with a new idea around the concept of "official accounts," with the goal of targeting companies and corporations. At that point, WeChat already had a solid following among end-consumers, but the team envisioned using open application programming interfaces (APIs), to turn WeChat into a communication pipeline for third-party products and services.

In the simplest terms, an API is an official set of rules and guidelines that facilitates information exchange between two pieces of software. The software routines, protocols, and tools can allow third parties to tap into WeChat's massive user base. Lake Zeng, vice general manager of WeChat's open platforms division, explained to me, "In the past, WeChat had successfully connected people, but we were not clear how companies could also leverage WeChat to connect and communicate with their own customers. We needed a vehicle to achieve this goal, and we thought 'official accounts' could be that very means."

Understandably, none of the team members was sure about what services to include in the beginning. As engineers fanned out to look for promising ideas, China Merchants Bank (CMB) came knocking on the door. To Lake Zeng, the project goal with CMB was simple—go wherever the customer wanted:

At the time, our idea about official accounts was very rudimentary. We only had a few demos. We thought that traditional companies might send messages or coupons to customers and promote sales. All our initial ideas had revolved around "broadcasting" functions. But the discussion with CMB changed the way we think.

Banks have high data security standards, and they have to keep these data on their own servers. If we wanted to make it work, we had to provide [an] open connection. From then on, we've pivoted WeChat toward the role of a "connector" or "pipe." We let companies pump information from their servers to end-users on WeChat.

That openness proved crucial in attracting other adopters. Before long, China Southern Airlines, the country's largest airline by fleet size, launched its WeChat official account. When a user says, "Beijing to Shanghai, tomorrow," WeChat displays all flight information that fits those criteria. Clicking on a flight takes the user to a server that China Southern Airlines hosts where one can book and pay for the flight. Although all the data transactions happen on the airline's server, users get the impression that they are operating entirely through WeChat. This drastically simplifies the mobile user's experience. A user no longer has to download a new app or toggle across multiple windows on a tiny screen. A new proposition thus emerged: companies can create an unlimited number of new functions on their own and keep all the data if they want, with a user interface that is already familiar to hundreds of millions of Chinese.

When I was first told by an employee that WeChat only stored, on average, five days of user data, I was skeptical that any company would choose to erase its customer information. So was my research collaborator, who proceeded to ask about the size of the firm's computer server room. The limited physical footage, however, was consistent with the earlier assertion that beyond real-time monitoring and feature usage analysis, traditional data mining was all but impossible because of the relatively paltry storage. But WeChat's inability to store customer data is precisely its attraction for Western brands that might otherwise shun any tighter integration with a tech giant. Big brands don't like to surrender information control.

WeChat's major breakthrough, therefore, is the realization that a product's best feature will never be invented in-house. Killer apps must be invented by users instead. But that should not come as a surprise. As perceptive as Steve Jobs was, he couldn't have predicted that some of the most prominent functions of his iPhone would be hailing a cab (Uber) and taking automatically erased pictures (Snapchat). No single company could have come up with both of these killer apps. Under most conditions, decision quality is enhanced when there are varied, independent inputs. WeChat has decentralized decision making. They have effectively "mass-produced" decisions as outputs.

This article has been excerpted from [Leap: How to Thrive in a World Where Everything Can Be Copied](#) by Howard Yu, LEGO professor of management and innovation at IMD and director of IMD's [Advanced Management Program \(AMP\)](#)

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