



IN MOBILE SOCIAL NETWORKS CHINA'S WECHAT SHOWS THE WAY FORWARD FOR FACEBOOK

FROM COPYCAT TO COPY VICTIM

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Facebook recently launched a new “Instant Games” platform as part of its Messenger app. Instead of downloading yet another game from Apple iTunes or Google Play, users can now play games directly through Messenger, without ever leaving Facebook.

These light-weight, [HTML5](#)-based games are designed to be ‘asynchronous,’ where players take turns to make a move without the need to be online at the same time. Think of it like playing chess. Popular titles [include](#) arcade classics such as PAC-MAN to more modern favorites such as EverWing.

But the idea for a messenger app to bundle games and other app-like services is not new. China’s [WeChat](#) has been doing this for years. Owned by the country’s largest gaming company [Tencent](#), WeChat was initially modeled off WhatsApp, but has since integrated social media with free messaging and calls.

Today, WeChat has more than [800 million](#) monthly active users, a number larger than the entire population of Europe, let alone the United States.

If Charles Darwin looked at the Internet

The Beijing government has long banned foreign websites it deems suspicious. Because of widespread internet policing and mysterious censorship practices—collectively known as the [Great Firewall](#)—you can’t access Google, Twitter, YouTube or Facebook in the middle kingdom.

In their place, a slew of apps that bore some early resemblance to their Western counterparts have evolved into entirely different species. Even if the apps shared the same original idea, they have changed so much that to equate WeChat to WhatsApp today would be akin to mistaking a bamboo-chewing giant panda to a honey-loving American black bear.

In the West, Facebook and Google have grown obsessed over mobile advertising, amassing user data to fine-tune their increasingly powerful algorithms to better target end consumers. In China, because of its largely isolated environment, Internet companies have found new ways to get consumers to pay, either by charging transaction fees or through in-app purchases.

WeChat decidedly focused on connectivity, morphing what was once a stand-alone messaging platform into an indispensable mobile portal for making payments, booking doctor appointments, filing police reports, hailing taxis, accessing banking services, video conferencing, playing games, and much more. Shaking the phone has proven a popular way to make new friends who are also users. Waving it at a television allows WeChat to recognize the current program and for viewers to interact. WeChat is Facebook, Twitter, WhatsApp, and Zynga, all wrapped up into one.

“Quite frankly, the trope that China copies the U.S. hasn’t been true for years, and in mobile it’s the opposite: The U.S. often copies China,” [said Ben Thompson](#), the founder of the tech research firm Stratechery.

Take mobile payment as an example. In 2013, WeChat debuted its first payment system. Users can send each other money, pay utility bills, and even invest in a wealth fund through the app. Its parent company, Tencent, [invested billions](#) of dollars in ride-sharing company Didi Chuxing (China’s Uber) and group-buying service Meituan-Dianping (China’s Groupon), so that users can order a car or shop for group deals [without leaving](#) WeChat. Over the past years, Tencent has further added traditional retailers like McDonald’s, 7-Eleven and Uniqlo to accept WeChat Pay.

One of the most popular features on WeChat Pay was the “red envelope,” which lets users send virtual packets stuffed with digital cash to family and friends during Chinese New Year. Between February last 7th and 12th, some [32 billion](#) red envelopes were exchanged, up from 3.2 billion the same period last year.

As impressive as it might seem, however, WeChat Pay remains an underdog. Alibaba [still commands](#) a 68% market share against the challenger's 21%. But in the midst of the ongoing payment battle, China saw mobile transactions surge to \$235 billion, [surpassing](#) U.S. for the first time last year.

Chinese Internet giants are fast becoming all-encompassing super apps, Facebook now has some catching up to do. "For the Facebook Messenger app, the best way to understand their road map is to look at WeChat," Thompson further asserted.

If only it were that easy for Facebook to play copycat.

When core capabilities turn into core rigidities

In studying why established companies sometimes find themselves trapped within the existing business model, Harvard Business School's Clayton Christensen noted the [four crucial elements](#) that underpin any successful strategy.

- 1] **Value Proposition**
- 2] **Resources**
- 3] **Processes**
- 4] **Profit formula**

To Christensen, these four elements are the fundamental building blocks of any successful business.

Here is the flip side. Once these four elements emerge, they impose incredible inertia and make it extremely difficult for top executives to break the formula. Core capabilities turn into core rigidities. Future weaknesses are embedded in current strengths. This is why emulating the success of WeChat is going to be much harder for Facebook.

Why big brands love WeChat

As one American venture capitalist [puts it](#), WeChat is there "at every point of your daily contact with the world, from morning until night". In a country where more people use the internet via their mobiles than in America, Brazil and Indonesia combined, WeChat is particularly attractive to advertisers.

When BMW launched the first-ever ad on the WeChat Moments page (which is akin to a Facebook feed) of selected users, no one complained about commercial intrusion on privacy. An uproar instead ensued from non-recipients demanding to know why they had not received the ad.

But the reason why big banks, airlines, hotels and restaurant chains have no issues in signing up for WeChat was because the company doesn't store end user data. All WeChat did was open up its platform to an application programming interface, or API. WeChat's proposition is simple: "Your customer's data stays with you. We are only interested in providing the user interface".

It makes sense. The last thing WeChat wants is to deal with local governments who keep knocking on its door demanding access to user data.

The race to become ubiquitous

A couple of years back, Facebook had built a massive gaming platform for desktops, thanks to developers like EA and Zynga. People bought virtual goods from games like Farmville and Cityville. In 2011, Facebook made about 12% of its total revenue from games.

But as users shifted to mobile, Facebook was unable to pursue gamers. Today, only about 3% of Facebook's revenue comes from games. Therefore the move by Facebook to increase gaming should hardly be a surprise.

But Facebook's mainstream business will always be advertising. To feed that monster, customer information, artificial intelligence, and data mining will always be of top priority. Paradoxically, these are anathema at WeChat. The rise of WeChat to become an all-in-one app depends critically on its lack of interest of storing customer data.

Launching a gaming business model may help Facebook to expand its scope. But it would be a stretch to say Facebook would soon become "WeChat of America".

[Howard Yu](#) is professor of strategic management and innovation at IMD. He specializes in technological innovation, strategic transformation and change management. In 2015 Professor Yu was featured in Poets & Quants as one of the Best 40 Under 40 Professors.

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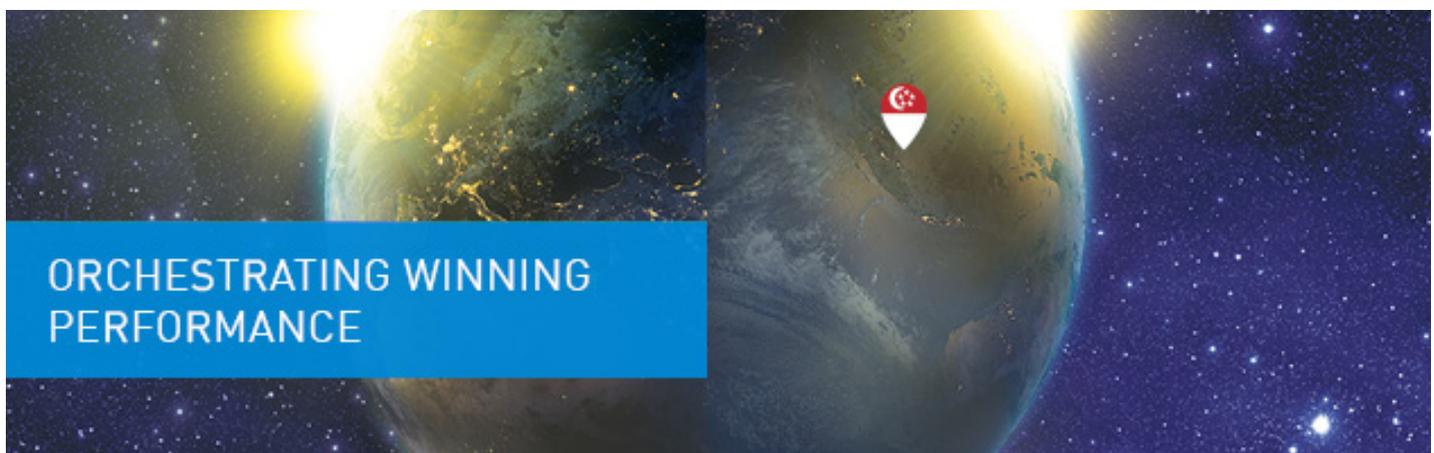


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