

COVER STORY

STRIVING FOR GLOBAL EXPANSION

The Chinese-made messenger app WeChat has big designs to expand in foreign markets, including the United States, but will it succeed? *By Zhou Xiaoyan*

By... the... products to compete. So far, Tencent



微信
weixin.qq.com

APP ON THE RISE: WeChat's logo on display inside Tencent headquarters office building in Shenzhen

Lisa Tseretzoulis, a 51-year-old office administrator living in Montreal, Canada, came across WeChat a year ago and instantly fell in love. "I like it a lot and have recommended it to family and friends."

WeChat, known as *weixin* in Chinese, is the country's most popular messaging and social media app developed by Tencent, China's biggest Internet firm. WeChat is often likened to WhatsApp, developed by a U.S. firm, and Japan's Line.

But WeChat is more than a messenger app and packs a host of other features, including a hold-to-talk function that allows users to send audio messages to other WeChat users, much like a walky-talky. It's also a social media platform to post photos and make comments, much like Facebook. Companies and celebrities can open a special account to interact with fans and build a following. NBA basketball player LeBron James has an account.

Founded in 1998 in the southern city of Shenzhen, Guangdong Province and north of Hong Kong, Tencent has over the past decade proven itself to be China's undisputed king of messaging, with its banner instant messaging service called QQ, China's largest instant messaging service with over 800 million users. With a shift in Internet usage from personal computers to smartphones and tablets, Tencent launched WeChat in 2011.

By the end of the first half of 2013, the number of WeChat users in China had exceeded 400 million, driving revenue growth from mobile traffic up by 56.8 percent, according to the Ministry of Industry and Information Technology.

Just like the impact Skype has had on landlines, the heavy use of WeChat in China now poses a challenge for telecom operators, whose revenues for text messaging—its most profitable business—fell markedly, leading to a debate over whether or not to charge a user fee for the application. The attempt by telecom operators to pressure WeChat to charge for the service was roundly condemned by Chinese netizens and others who called on the phone companies to leave WeChat alone and develop

their own products to compete. So far, Tencent has no plans to charge users for the popular app but says it will cooperate with China's big telecom players in other ways.

WeChat is already a huge domestic success and is used by everyone from teenagers to their parents to their grandparents. But Tencent is not satisfied with success in the home market and is branching out globally tooth-and-nail. Roadblocks, however, remain.

One world, one chat

With an eye on the international market, WeChat is now available in 18 languages, including English, Indonesian, Spanish, Portuguese, Thai, Vietnamese and Russian. The app can be used on almost all mainstream mobile phone systems thanks to a first-class research and development team at Tencent. WeChat is growing quickly in overseas markets. Tencent announced on July 3 that WeChat has accrued over 70 million registered overseas users, a sharp jump from the 40 million users it claimed it had back in April.

"The software has been especially successful in Indonesia, India, Malaysia, Mexico, Singapore and the Philippines," said Martin Lau, President of Tencent, at a developer conference held in Beijing on July 3.

To further expand its user coverage, Tencent has unveiled an advertising campaign featuring internationally famed soccer star Lionel Messi to run in 15 countries, including Argentina, Brazil, India, Italy, Mexico, South Africa, Spain and Turkey.

WeChat has adopted a localization strategy when branching out by hiring celebrities as part of its marketing efforts. A much-loved feature of WeChat is a wide range of cartoon emoticons that users can send to each other, called emoji. With overseas markets in mind, WeChat has designed emoticons featuring local big names. For instance, in India, Tencent roped in popular Bollywood actors Parineeti Chopra and Varun Dhawan as brand ambassadors. Emotes featuring the two Bollywood stars caused a sensation in the country. WeChat is also working closely with businesses overseas and is cooperating with Chang, a ▶▶



SIMPLE AND SMART:
WeChat's user interface

well-known beverage company in Thailand.

WeChat's fun features coupled with Tencent's strong marketing skills have made the app popular across different markets and helped the app's popularity soar. User growth is one encouraging sign for the tech company, one of several Chinese Internet companies that have ambitions to expand their businesses abroad. "Successful or not, this is an once-in-a-lifetime opportunity for Tencent," said Ma Huateng, co-founder and Board Chairman of Tencent, speaking about Tencent's global layout.

Not easy

While boosting popularity among users outside China, WeChat is faced with competition in the

global mobile-chat app market from WhatsApp, Line and Kakao from South Korea.

WhatsApp announced in June it has racked up over 250 million active monthly users worldwide. Line announced on July 23 that it has amassed 200 million global users, and Kakao said in July that the number of its users has topped 95 million. The four are bound to duke it out in the global market.

WeChat has made a splash in emerging nations, especially in Southeast Asia, and has yet to gain a foothold in a large developed economy like the United States, a highly coveted market. By the end of September 2012, there were 100,000 registered WeChat users in the United States, a distant cry from the numbers WeChat



THINKING BIG: Ma Huateng, co-founder and Board Chairman of Tencent, is making a speech at the Global Mobile Internet Conference in Beijing on May 7



FIND ME IN WECHAT: Giant billboard of WeChat featuring two local celebrities hang high in a commercial district of Taipei, Taiwan

will need to make an impact beyond the limited population of Chinese-Americans and Chinese students studying there. To that end, Tencent opened an office in February to study the U.S. market and form partnerships with U.S. firms to boost the app's popularity.

In comparison with the boom in Southeast Asia, WeChat is in its nascent stages of development in the United States. WeChat faces stiff competition from Line and the Japanese company also has designs on the U.S. market. For now, it's unclear exactly how WeChat stacks up against its rivals in the battle for the United States.

"The U.S. market is a difficult and important one for any Internet company. Many first-class Internet products and companies were born there. The U.S. market is highly sought out by many foreign companies and products, and WeChat is no exception," reads a recent statement from Tencent in February.

"The United States is the most difficult market to tap in our global campaign," said Ma. "China's Internet companies lag far behind their globally successful peers and have never been a global success. But now mobile phone and Internet use is developing faster in Asia than in the West. This has given China's Internet companies a precious opportunity to surpass Western ones," said Ma, who touts that WeChat is more innovative and user-friendly than its rivals.

But one major concern has Tencent worried: If its popularity grows, could other nations erect the same kind of roadblocks to expansion that have plagued Chinese telecommunications companies like Huawei and ZTE? Both companies have seen their efforts to expand into the United States halted over "national security" concerns.

WeChat has already run into such resistance. India's intelligence bureau has

reportedly proposed a ban on WeChat, saying that the app has already possessed too much personal information on Indians. The United States and other Western nations may suggest the same, fearing that too much citizen data could easily fall into the hands of the Chinese Government.

In response, a spokeswoman for Tencent said, "We have taken user data protection seriously in our product development and daily operations, and like other international peers, we comply with relevant laws in the countries where we have operations."

Given the recent revelations that the U.S. National Security Agency has been snooping on the e-mails of Americans, users may have few nagging doubts about downloading the Chinese app.

Another issue is whether China's global image will hold back WeChat in international markets since China is often associated with producing cheap, low-quality products. Persistent food scandals and toxic toys have created a lack of trust of Chinese-made goods in developed countries and beyond.

Duncan Clark, Chairman of BDA China, a consulting firm that specializes in China's technology and Internet sectors, told *The New York Times* that WeChat has the potential to overcome any lingering doubts in the West over the made-in-China label, saying potential users would have no idea the product is Chinese when visiting, for example, an app store, thereby leveling the playing field for mobile-chat app developers.

Robin Pinsto, a 54-year-old WeChat user in Canada, said she was surprised the app is Chinese.

"I started using WeChat six months ago and I use it every day now. I think WeChat is even better than WhatsApp, with its wide range of cartoon images and other functions," said Pinsto. "I think WeChat has a shot at being a global success."

Tseretzoulias, the office administrator in Montreal, has no qualms about WeChat's origins.

"It doesn't concern me which country developed it, as long as it's good to use." ■