



From Social To Business

2017 WECHAT USER AND BUSINESS ECOSYSTEM REPORT

DISCLAIMER: DATA, SAMPLES AND OTHER ELEMENTS

- User Data Sampling Specifications

User data in this report, unless stated, is collected from an online survey done by China Tech Insights in March 2017 and a 2016 study by China Academy of Information and Communications Technology (CAICT). 19,511 samples were collected from Tencent's online survey platform for the March survey. CAICT's study covered 1,100 users and 9,018 WeChat public account operators.

Users referred to in the report, unless stated, are Chinese mainland mobile internet users. According to latest data released by China Internet Network Information Center (CNNIC), the penetration rate of mobile internet among Chinese internet users is above 95%, thus conclusions drawn in this report can be applied to the entire Chinese internet user base. Stratified sampling processing has been applied for data used in specific segments research.

- Objects of the Report

WeChat in this report is used as a combination of Weixin and WeChat. The objects of study for this report are WeChat users, WeChat enterprise and industry users and multiple businesses held by WeChat. Data and conclusions in this report are co-produced by China Tech Insights and CAICT as independent third party organizations, and **does not represent any opinion held by the WeChat team itself.**

- Copyright Statement

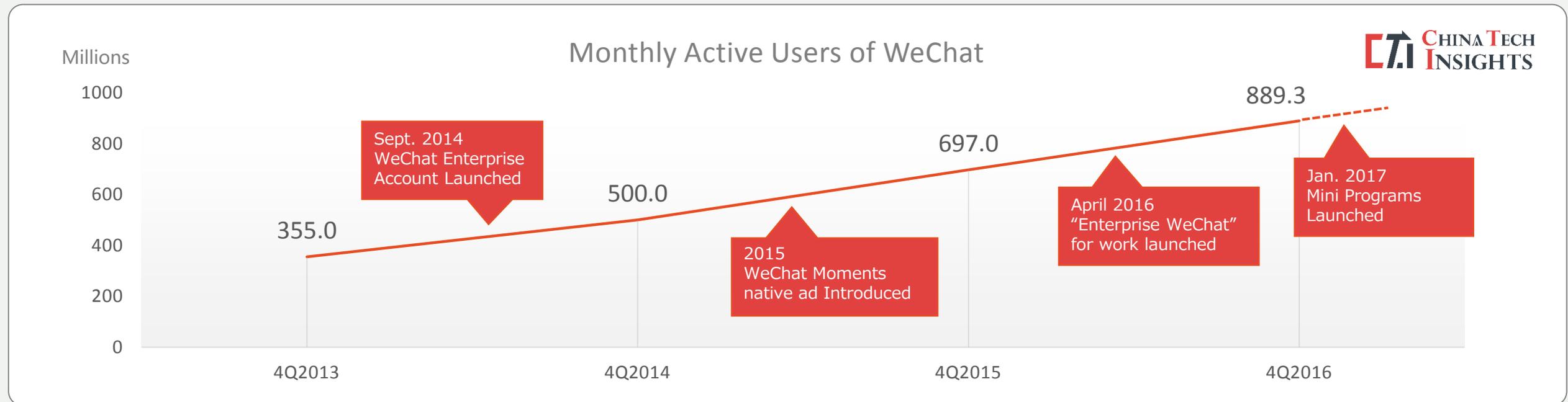
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WECHAT 2016: 889.3 MILLION MAUS, 10M+ OAs



Data source: Tencent quarterly financial reports

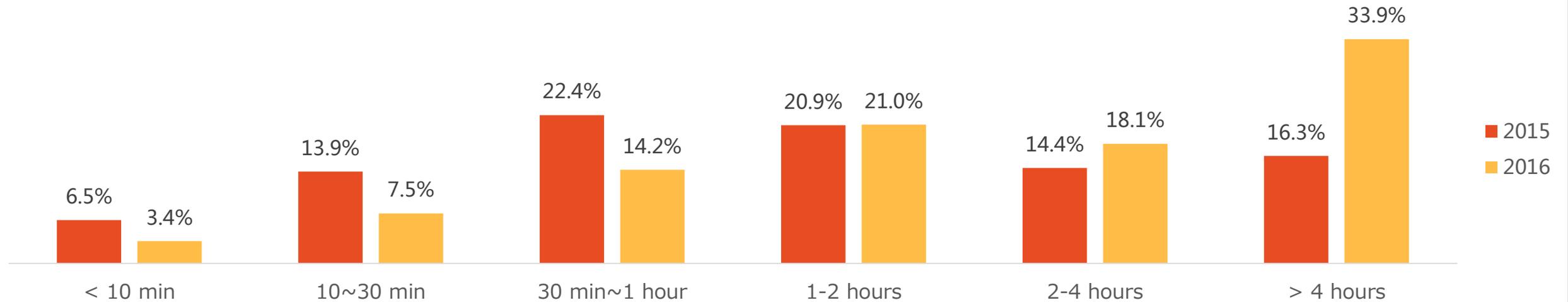
WeChat is evolving through innovations. As of December 2016, there are 889 million monthly active users of Weixin and WeChat combined. According to China Academy of Information and Communications Technology (CAICT), WeChat has directly driven information consumption* of RMB 174.25 billion in 2016, a year-over-year growth of 26.2%, which is equal to 4.54% of the total information consumption within China for 2016.

* Information consumption here represents data consumption as well as content and services consumption on WeChat.

WECHAT 2016: USERS' LOYALTY KEEPS RISING

Comparison of users' average daily time spent in WeChat 2015 vs. 2016

CTI CHINA TECH INSIGHTS



Data source: WeChat Social Economic Impact Report
China Academy of Information and Communications Technology

According to CAICT, the proportion of high loyalty WeChat users increased considerably in 2016 as compared with 2015. In particular the number of users who spend 4 hours on WeChat daily doubled. Data released by Quest Mobile in December 2016 shows that the users' average monthly time spent in the app of WeChat reached 1,967 minutes for December 2016; more than twice that of the second placed application on Quest Mobile's annual Top 100 Apps Listings.

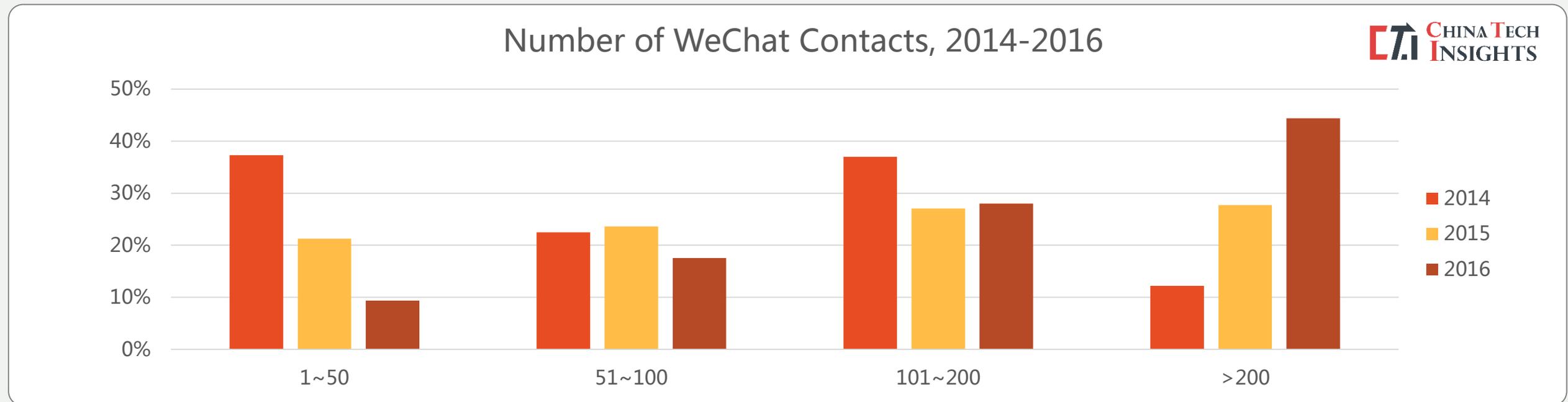
01

Changes: WeChat + Social

FROM CLOSE FRIENDS TO WIDER SOCIETY

- Having already established a close network of friends, new WeChat contacts are increasingly just casual acquaintances
- WeChat contacts are increasingly made through the work environment

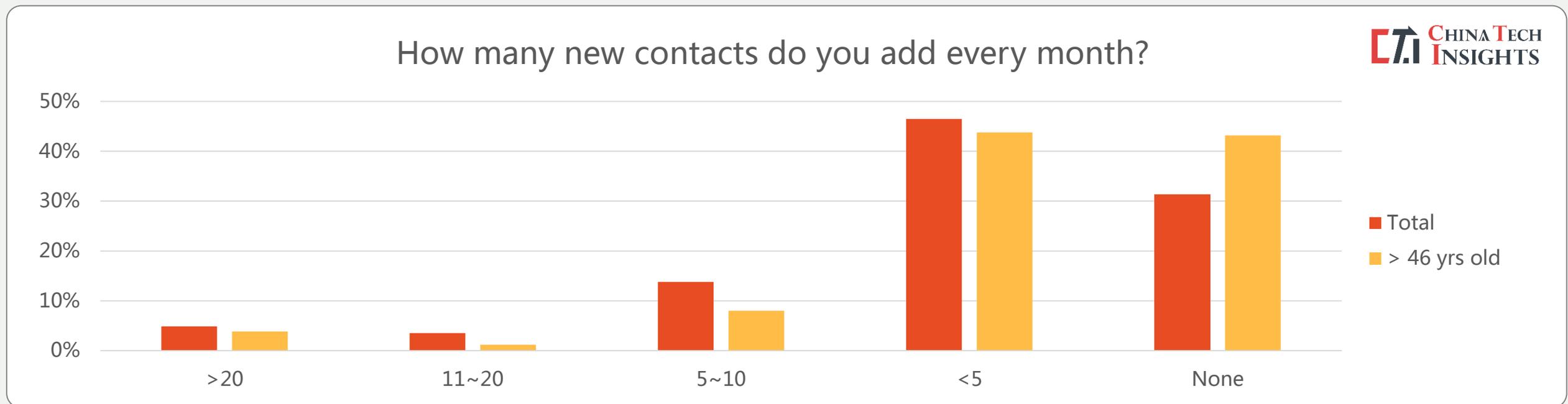
A SHARP INCREASE IN THE NUMBER OF WECHAT CONTACTS: 45% USERS HAVE MORE THAN 200 WECHAT CONTACTS



Data source: WeChat Social Economic Impact Report
China Academy of Information and Communications Technology

The number of contacts per average WeChat user saw a sharp increase in 2016 from 2014. According to CAICT, around 45% of respondents reported that they have more than 200 WeChat contacts and 13.5% users reported more than 500 contacts. WeChat as a communication tool did help users improve communication efficiency and expand their social networks.

5 NEW CONTACT PER MONTH: MOST WECHAT USERS' NETWORKS HAVE STABLIZED

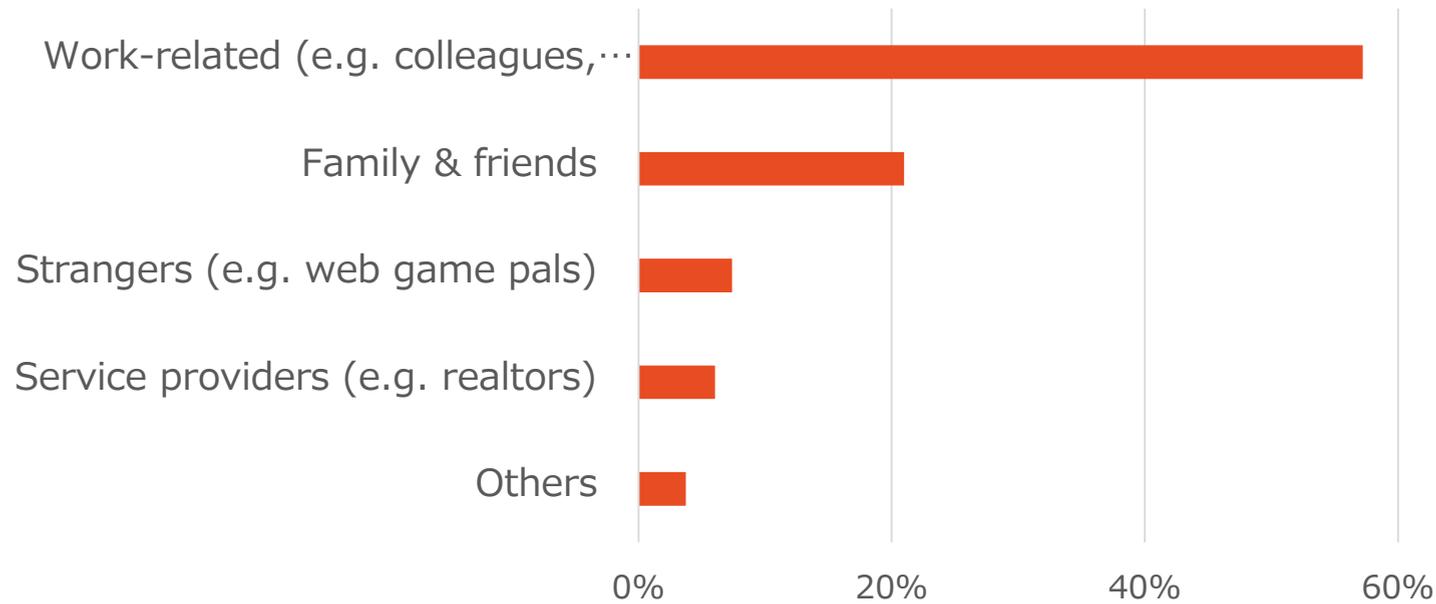


Data source: Penguin Intelligence Survey Platform

In terms of new contacts on WeChat, the majority of users add no more than 5 new contacts each month. Over 1/3 of users report no growth in numbers of contacts. Over 40% of middle-aged and elderly users report zero new contacts monthly. This implies the average users' network on WeChat now is relatively stable.

MOST USRS' NEW CONTACTS ARE WORK-RELATED

Which categories do your newly added WeChat contacts belong to?

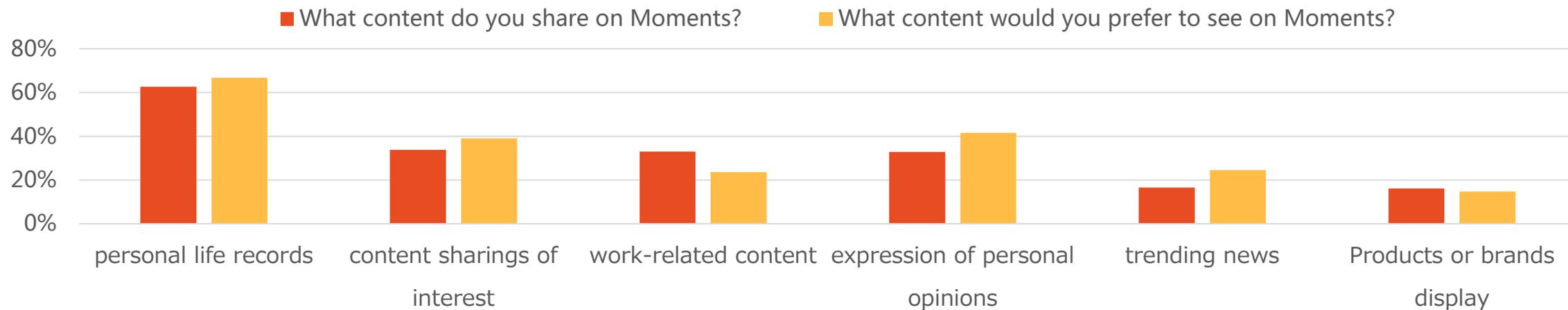


Data source: Penguin Intelligence Survey Platform
This is a multiple response question.

The relationship ties on WeChat extend from strong ties among families and friends to weaker ties built among career networks. 57.22% of respondents say their recent new WeChat contacts are mostly work-related. For those who assume management roles in enterprises, as high as 74.3% of respondents say their new contacts are mostly colleagues or people within their professional circle. *Social relations among work-related circles* has become a vital part of users' WeChat network.

USERS BEHOLD WECHAT MOMENTS: A PRIVATE ONLINE SPHERE

WeChat Moments Content Consumption Preference



Data source: Penguin Intelligence Survey Platform
This is a multiple response question.

WeChat's social function resides in WeChat Moments. Though communications on WeChat now have become more work-related, WeChat Moments remains a private sphere for most users. More than 60% of respondents prefer to make and read daily life posts on Moments. Users also want to see more personal content such as opinions on current affairs by their WeChat friends. Work-related content also sees a discrepancy between users' willingness to share and its actual popularity. On Moments 33% of users post work-related content while only 23.6% of users actually want to read work-related content.

02

Changes in WeChat's Use Cases

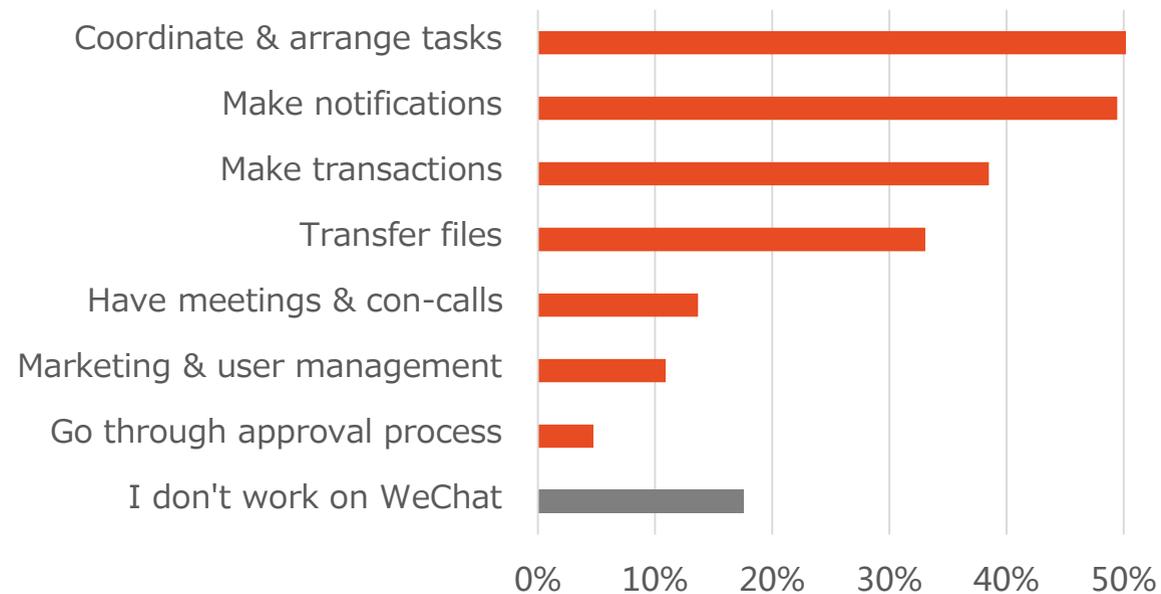
BOTH USERS AND BUSINESSES ARE NOW WORKING THROUGH WECHAT

- 80% of users complete work-related tasks on WeChat
- Approximately 70% of those self-employed have used WeChat to make transactions
- WeChat groups are now a primary channel for work communications

WECHAT + MOBILE OFFICING

80% OF USERS COMPLETE OFFICE WORK ON WECHAT

What are the work-related actions you've done through WeChat?

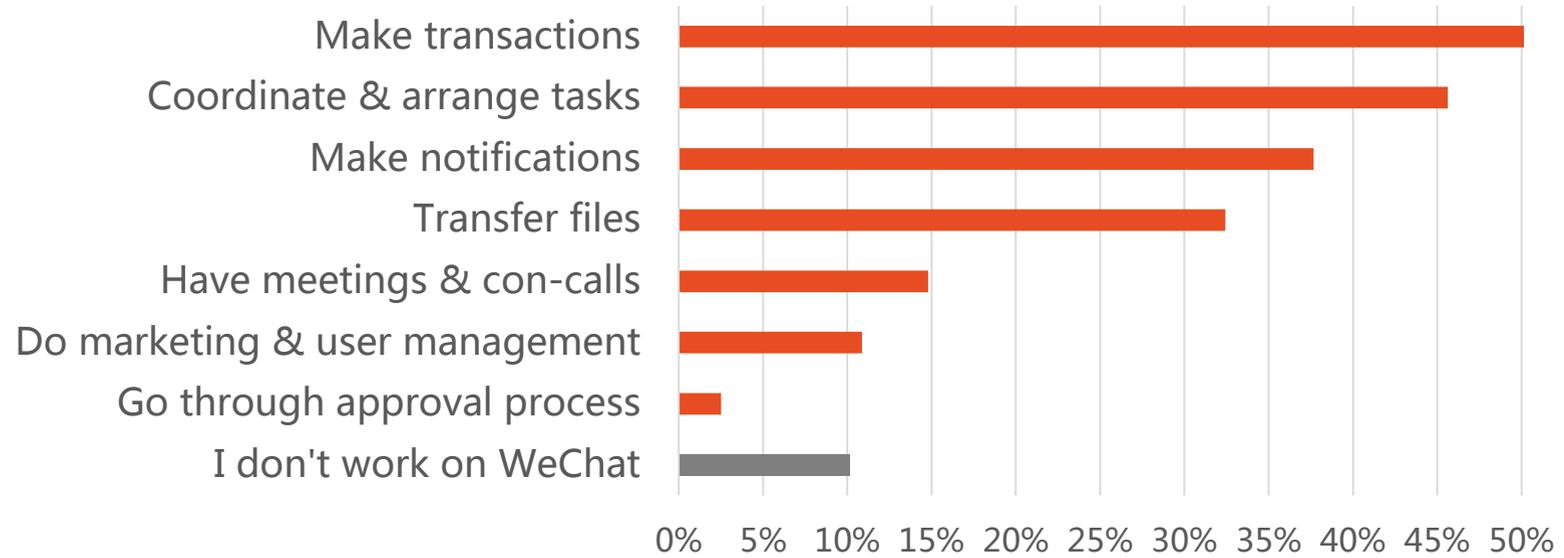


Data source: Penguin Intelligence Survey Platform
This is a multiple response question.

80% of users have completed office work on WeChat, such as work related communications, co-ordination and notifications. Users from Chinese first-tier cities are more used to working on WeChat. 57.5% of respondents from first-tier cities use WeChat for daily work co-ordination, 10% higher than users of fourth and fifth-tier cities.

9/10 OF INDIVIDUAL PROPRIETORS USE WECHAT FOR WORK

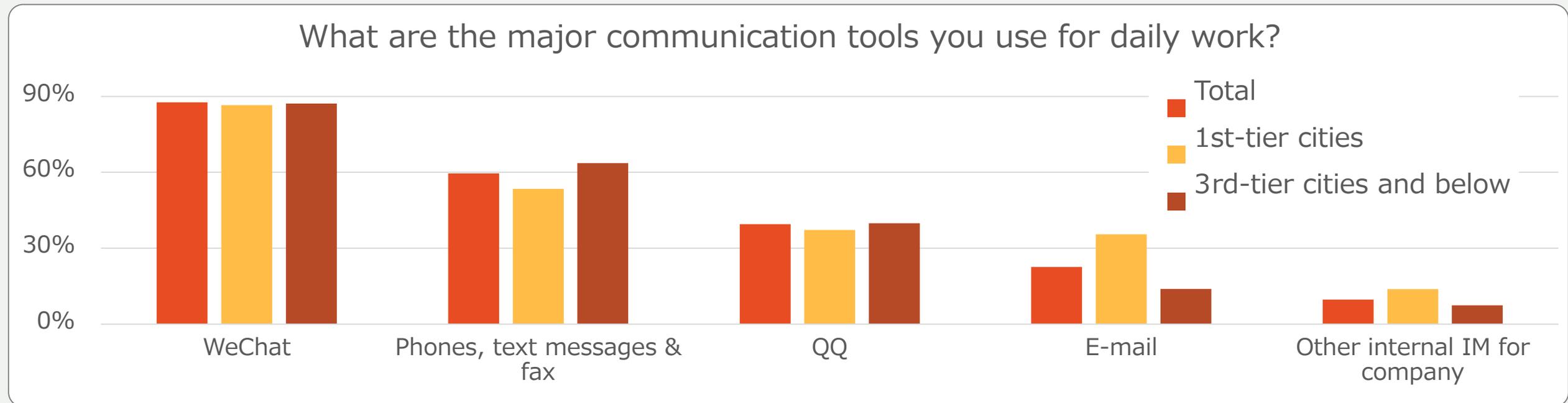
What are the work-related actions you have completed in WeChat? (Individual Proprietors)



Data source: Penguin Intelligence Survey Platform

For small business owners, WeChat plays an essential part in their daily business operations. Approximately 90% have used WeChat for work. In addition with WeChat continuing to simplify its payment feature, making transactions through WeChat has become pivotal for individual proprietors in doing business. 70.8% of them report making transactions through WeChat. Also worth noting is that 48.8% of freelancers also report making transactions through WeChat.

CORPORATE COMMUNICATION: WECHAT RANKS TOP WHILE EMAIL SEES LARGE REGIONAL DIFFERENCES

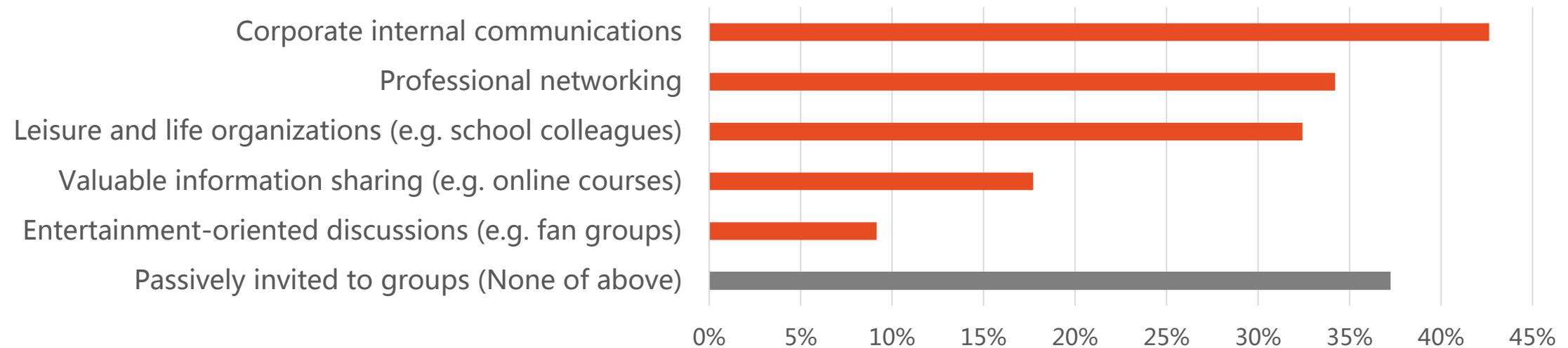


Data source: Penguin Intelligence Survey Platform
This is a multiple response question.

In general, WeChat has become a major work communication tool for approximately 90% of users. Tools that can ensure instant communication like WeChat or phone calls exhibit greater popularity among users. It's also worth noting that the popularity of non-instant messaging methods such as email exhibit great discrepancy between first-tier cities and other regions of China.

CORPORATE COMMUNICATIONS VIA WECHAT: MOBILE OFFICING PLATFORM TAKES ITS INITIAL SHAPE

What are the main reasons for you to join a group chat of 100+ people?

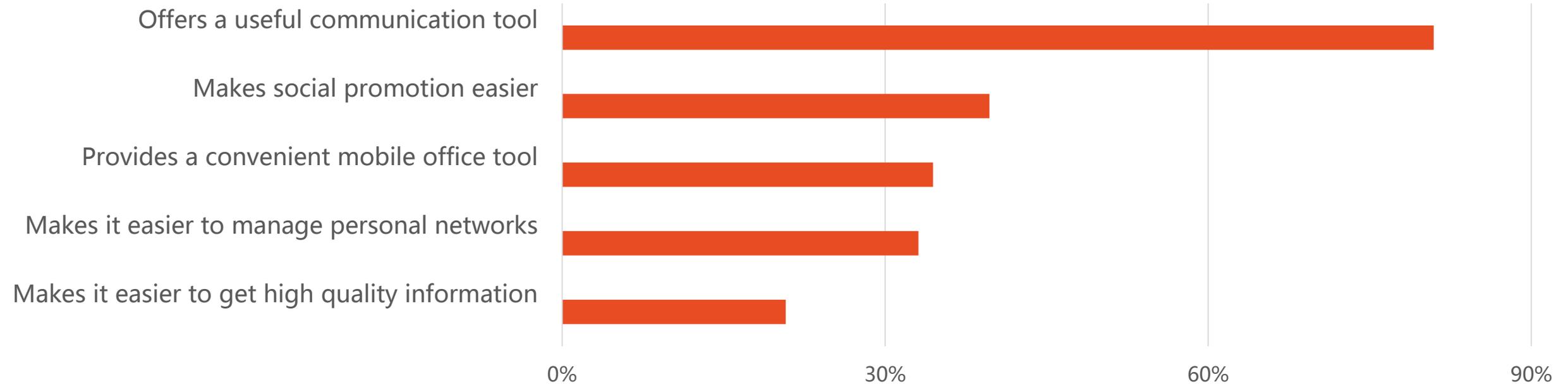


Data source: Penguin Intelligence Survey Platform
This is a multiple response question.

As an important hub for networks of acquaintances, WeChat chat groups are also an important channel for professional networking. Over 40% users join in chat groups of over 100 people due to the need of internal communication between team members, 34.2% of respondents join group chats to expand their professional networks. In contrast, 37.3% say they were passively added to group chats, for instance by WeChat e-retailers or by customer services operators. In addition, 45.6% of respondents express concerns over casual acquaintances entering their WeChat networks.

WECHAT'S PROFESSIONAL VALUE: COMMUNICATIONS & SOCIAL MARKETING

How do you find WeChat helpful for your work?



Data source: Penguin Intelligence Survey Platform
This is a multiple response question.

In a trial of building a mobile office automation platform, WeChat launched Enterprise Accounts within WeChat in 2014 and later Enterprise WeChat, as a separate app for work use in 2016. Despite its efforts, 80.9% of users still primarily use WeChat as a communication and social marketing tool, with only 34.5% of respondents agreeing that WeChat has provided convenient mobile OA functions.

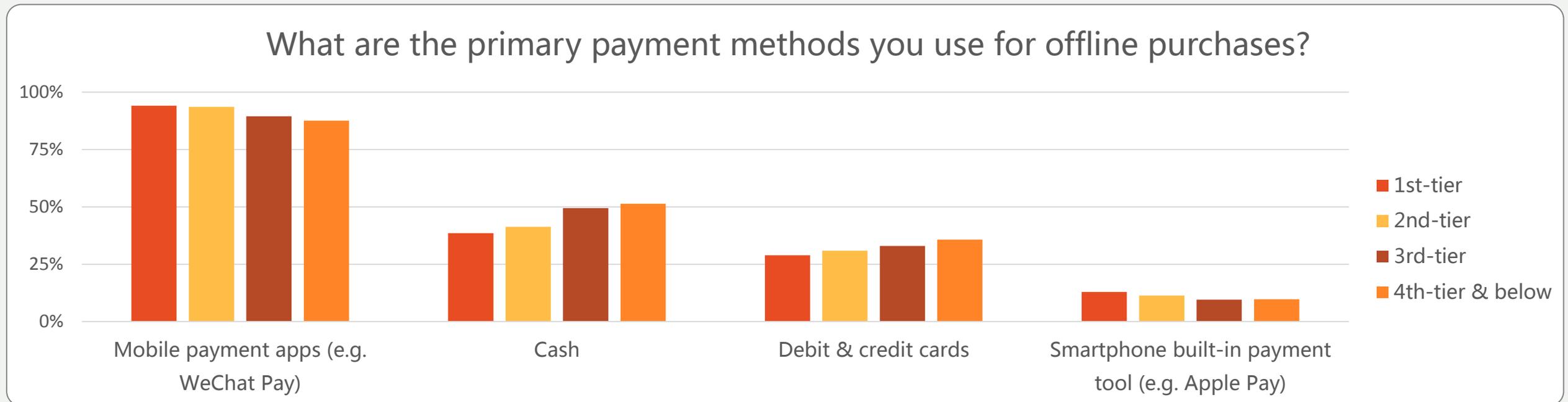
03

Changes to WeChat Business

FROM A PURE ONLINE BUSINESS TO
INTEGRATION OF MULTIPLE BUSINESS MODES

- Mobile payments have a high penetration rate in China
- Convenient stores have become WeChat Pay's primary offline transaction channel
- Mini Programs have a penetration rate around 20% with mostly low frequency users

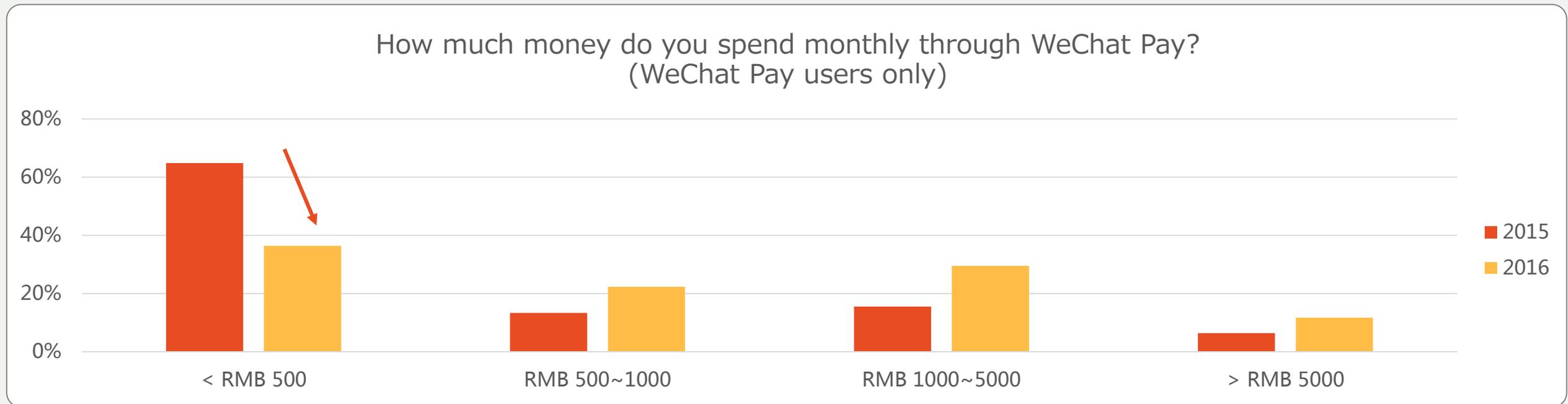
MOBILE PAYMENT: INCREDIBLY HIGH OFFLINE PENETRATION RATE ACROSS REGIONS



Data source: Penguin Intelligence Survey Platform
This is a multiple response question.

92% of respondents choose mobile payment such as WeChat Pay as their primary offline purchase payment method. The penetration rate of mobile payment amounts to 94.1% in first-tier cities, much higher than those of cash and credit & debit cards. The number of those using cash for payment increases as we move from first-tier to lower-tier cities. For first-tier city dwellers, only 38.6% choose cash as a primary method to make payments, while the proportion reaches around 50% for third-tier cities and below. In general, there is still potential for mobile payment to expand in lower-tier cities.

AMOUNT SPENT MONTHLY ON WECHAT PAY: 10%+ USERS SPEND OVER RMB 5,000 THROUGH WECHAT MONTHLY

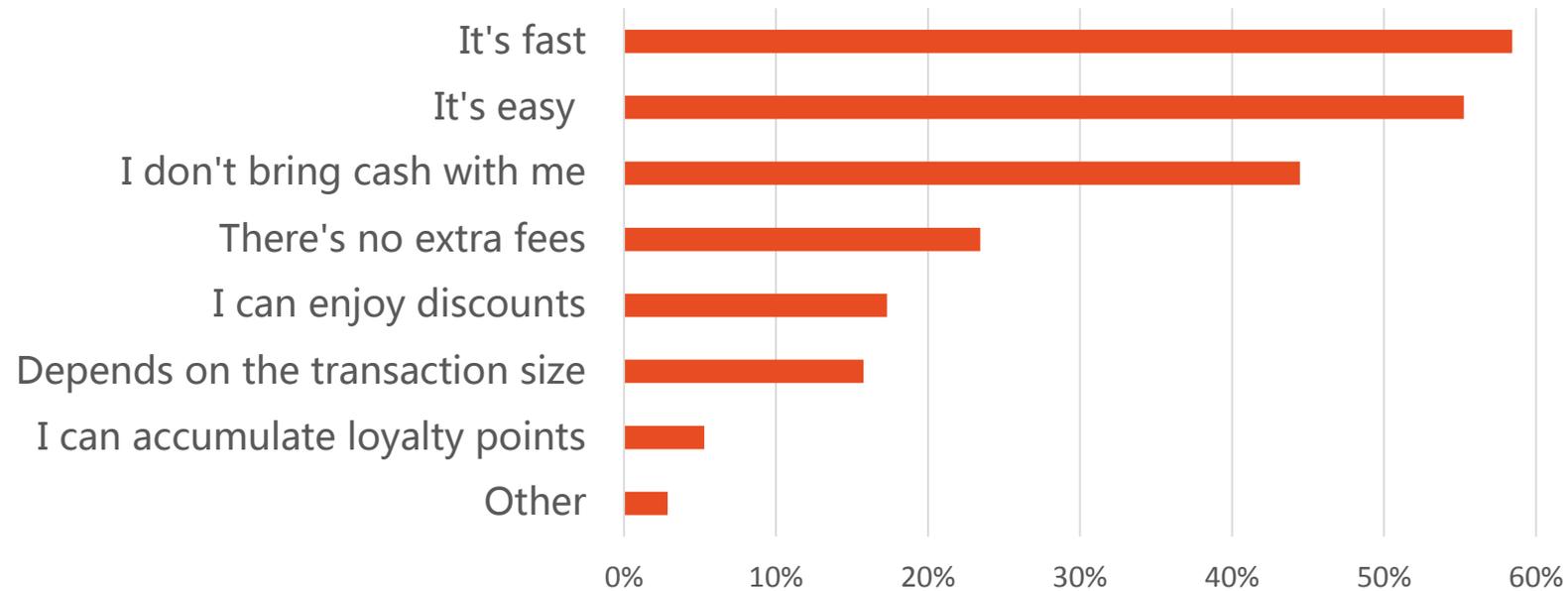


Data source: WeChat Social Economic Impact Report
China Academy of Information and Communications Technology

Compared with 2015, the monthly transaction volumes made through WeChat Pay are increasing rapidly. In 2015, there were around 65% of users spending less than 500 RMB per month, while the figure for 2016 is under 40%. Correspondingly, users with a monthly expenditure between 500 to 5,000 RMB are rising considerably. There are over 10% of users making a monthly spend of over RMB 5,000 through WeChat, which means for this group of people, WeChat is now the leading payment method.

OFFLINE TRANSACTIONS: USERS CARE MOST ABOUT THE EFFICIENCY OF PAYMENTS

Why do you choose mobile payments when making offline transactions?



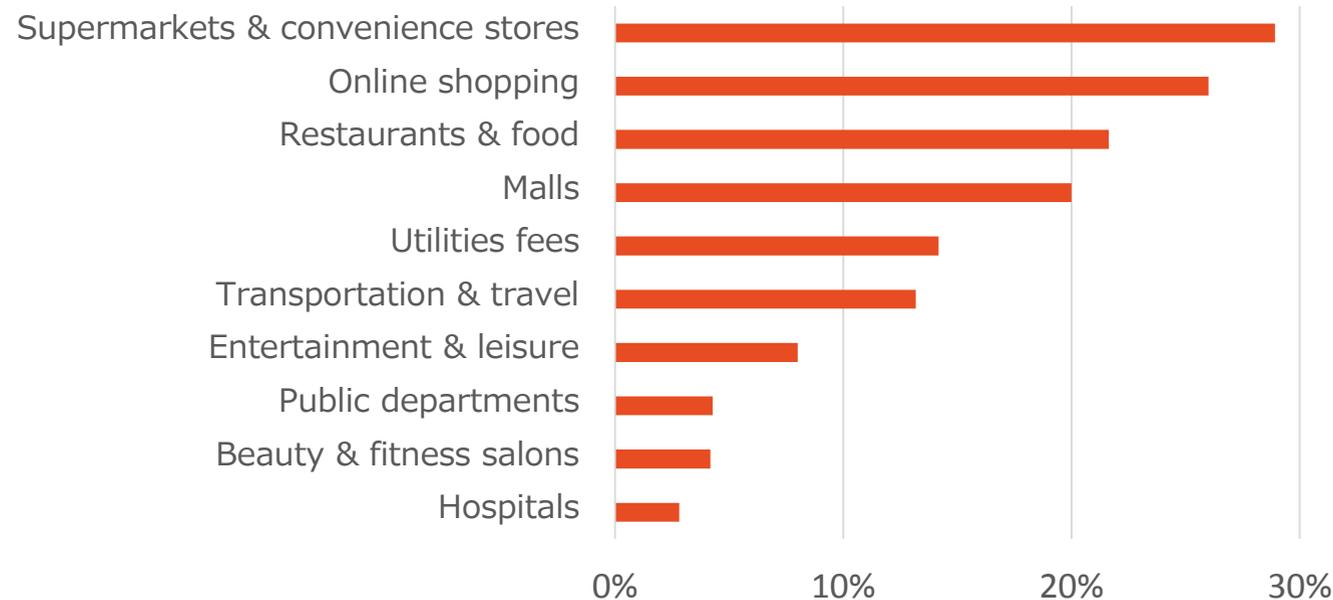
Data source: Penguin Intelligence Survey Platform
This is a multiple response question.

For offline payment scenarios, users most appreciate the speed and ease of making mobile payments. Besides this, Chinese consumers are now used to not carrying cash with them, thus it becomes disadvantageous for business owners to not provide cashless payment options.

Avoiding receiving change or forged money are also reasons mentioned by respondents for why they prefer mobile payments. These add to the reasons why mobile payment is now well-received particularly for small-amount payments.

OFFLINE TRANSACTIONS: USERS FAVOR USAGE OF WECHAT PAY IN CONVENIENCE STORES THE MOST

In what situations do you usually use WeChat Pay?
(WeChat Pay users only)

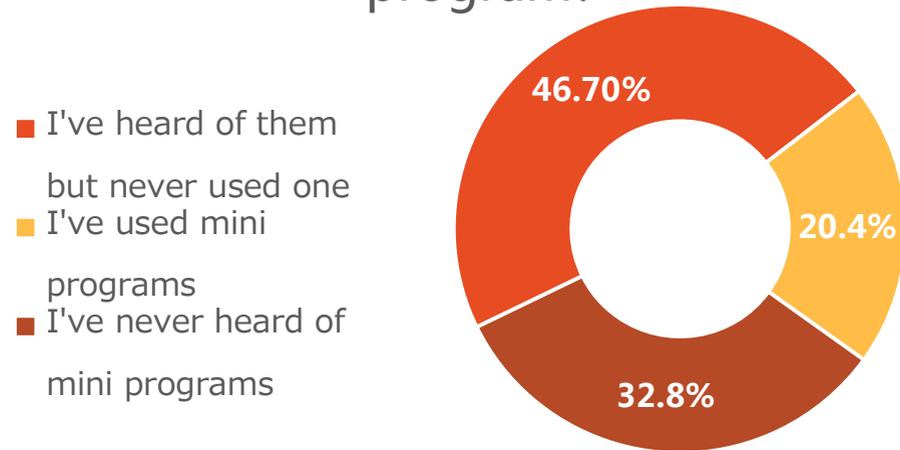


Data source: WeChat Social Economic Impact Report
China Academy of Information and Communications Technology
This is a multiple response question.

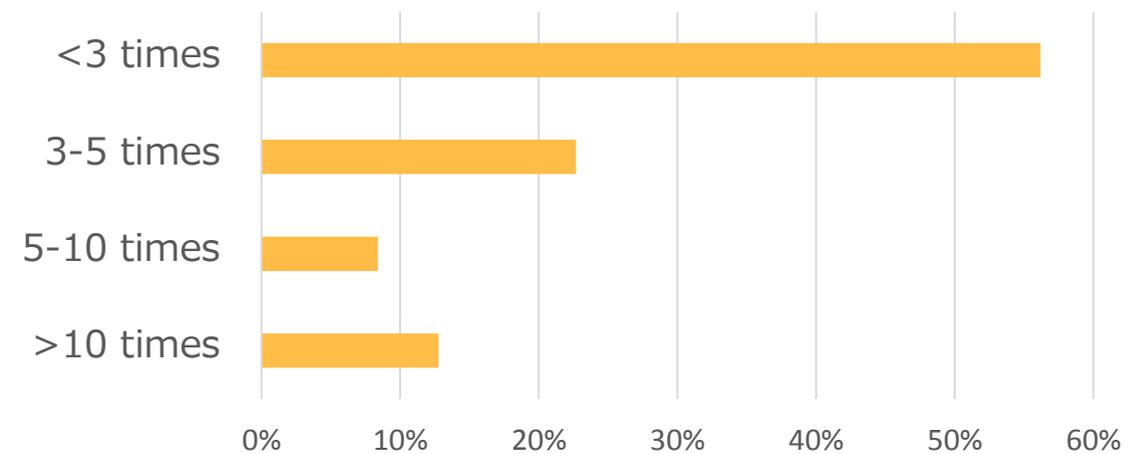
Surveyed users response that supermarkets and convenience stores are places that see their most frequent usage of WeChat Pay. Reluctance to receive small change and a clear need for fast and easy-to-use payment methods are common requirements made by consumers when making purchases in supermarkets and convenience stores making these situations the main area in which mobile payments are taking a large market share. As convenience stores become more automated we will see a further integration with the WeChat ecosystem.

MINI PROGRAMS: A PENETRATION RATE OF AROUND 20%

Have you ever used a mini program?



How many times do you use mini programs a week?

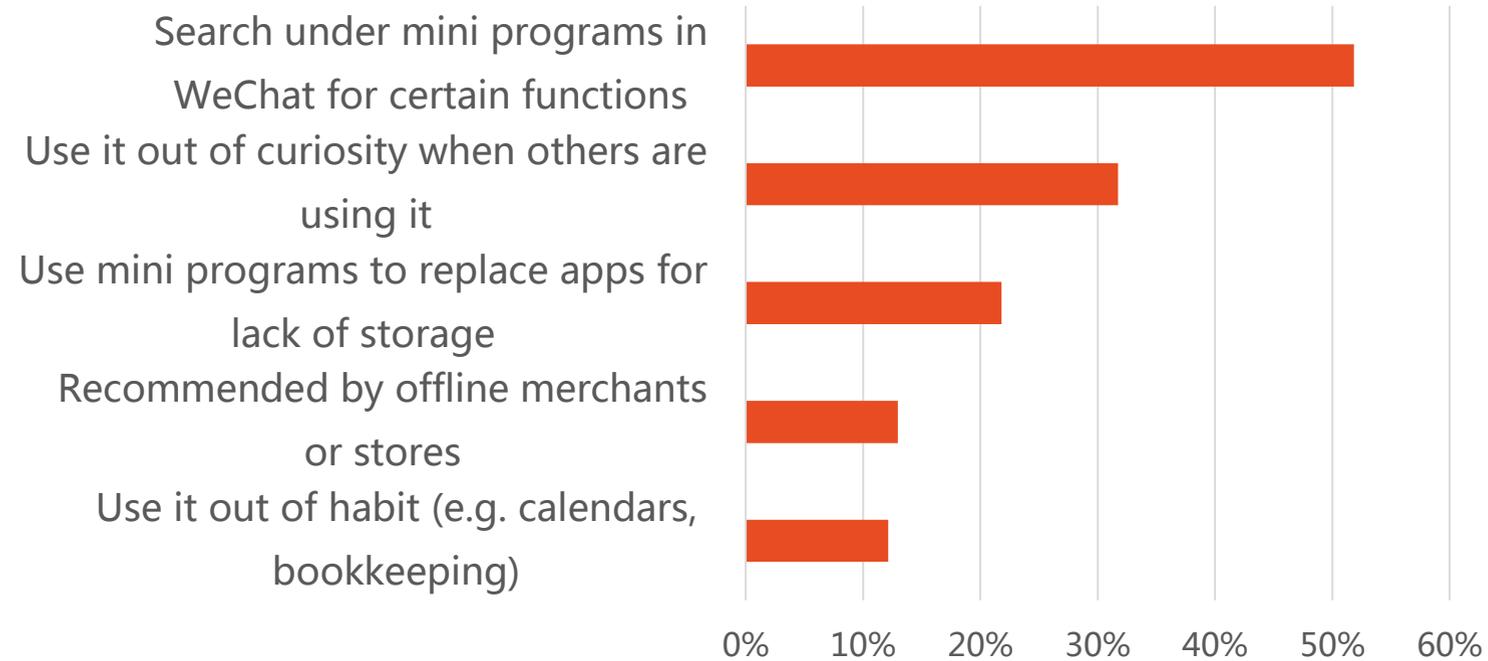


Data source: Penguin Intelligence Survey Platform

Mini programs were launched in early 2017 as a key tool for WeChat's expansion into offline business. For now, most merchants and developers are still exploring the best user cases in which to apply mini programs. There is also work to do in raising awareness among consumers. 32.8% of respondents report they haven't heard of WeChat mini programs, with 46.7% saying they have heard of them but haven't used any.

ACCESS MINI PROGRAMS: INITIATIVE SEARCH IS THE #1 CHANNEL

Why do you use a Mini Program?
(Users who have used a MP only)

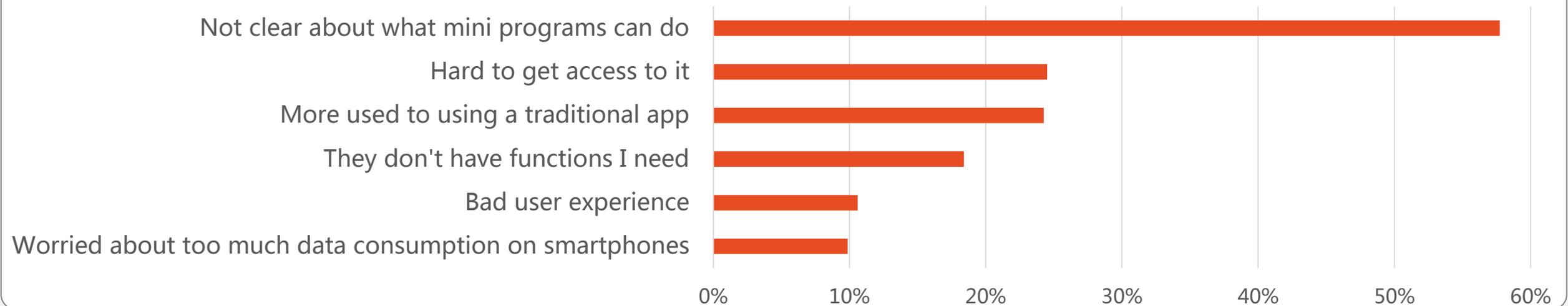


Data source: Penguin Intelligence Survey Platform
This is a multiple response question.

Although Mini Programs target offline consumption scenes, more than half of the respondents who have used a Mini Program, have either searched for a Mini Program within WeChat based on their specific needs, or accessed a Mini Program shared by WeChat friends. To conclude, the ratio of Mini Programs users acquired through offline scenarios is currently relatively low.

CHALLENGES FOR MINI PROGRAMS: USERS HAVE INADEQUATE KNOWLEDGE OF ITS REAL VALUE

Why don't you use a Mini Program?
(Users who have heard of but never used a MP)

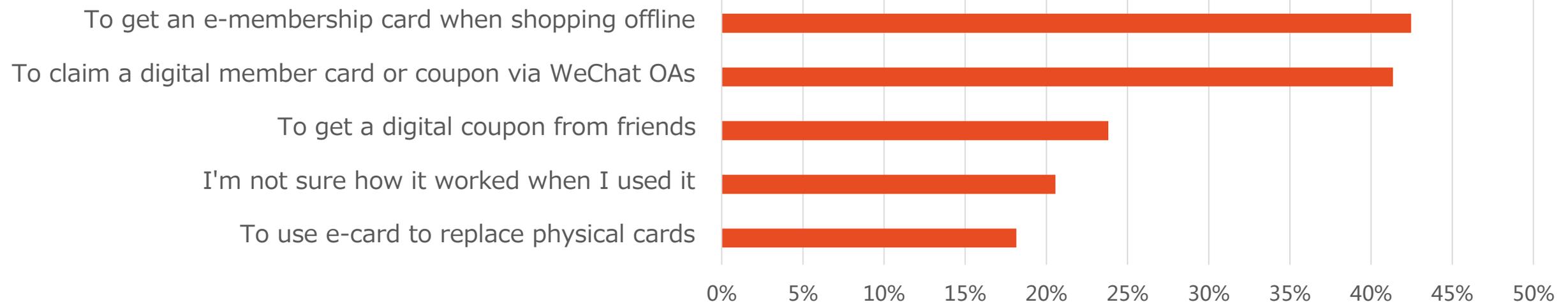


Data source: Penguin Intelligence Survey Platform
This is a multiple response question.

Among users who have heard of but never used a Mini Program, 57.73% didn't use any due to their lack of knowledge of the specific applicable functions of Mini Programs. This indicates that in the process of the marketing of a Mini Program, merchants or developers have to give a clear picture of a direct use scenario and value of the Mini Program.

WECHAT CARDS & OFFERS: ACCELERATE THE INTEGRATION INTO OFFLINE BUSINESS

On what occasions did you use the WeChat Card & Offers function?
(Users who have used WeChat Card & Offers only)



Data source: Penguin Intelligence Survey Platform
This is a multiple response question.

WeChat Cards & Offers function now seems more successful for offline consumption since it has been synchronized with WeChat Pay. According to the survey, 42.5% of respondents have used this function as they receive an e-membership card when they make purchases in stores. In terms of reasons for using this function, users care more about convenience than discounts and reward points. In another question, 50.1% indicated WeChat Cards & Offers function saves the trouble to manage physical membership cards and certificates as being the most attractive feature for using this function.

WECHAT CARDS & OFFERS + BRANDS: OFFLINE CHAIN DINING BRANDS HAVE THE BEST PERFORMANCE

Which brands and products coupons have you used in WeChat Wallet?



Data source: Penguin Intelligence Survey Platform

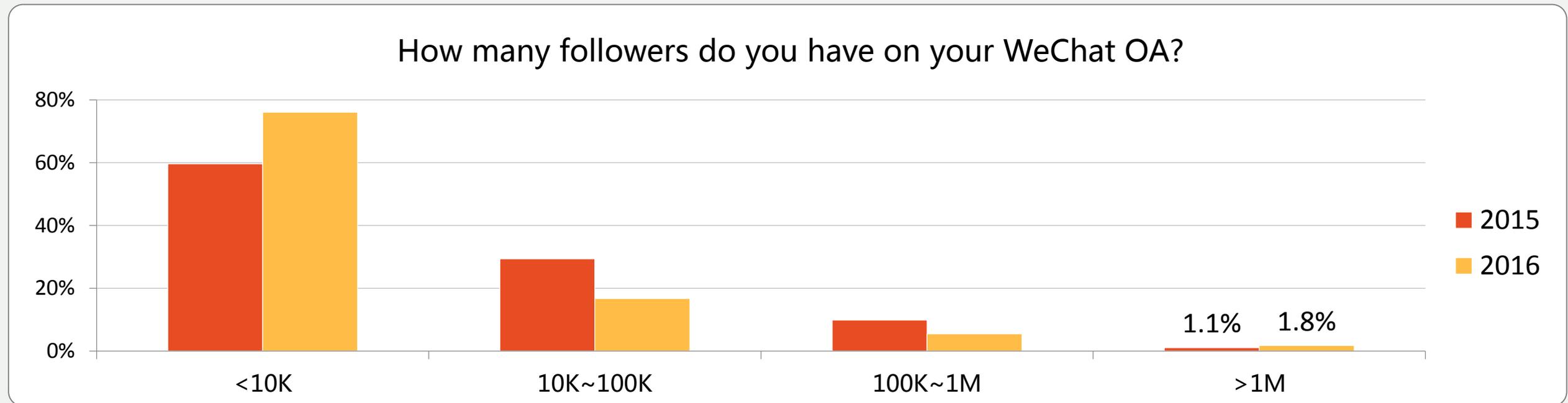
Offline chain restaurants have the best reception

WeChat Content Changes

EMPOWERING CONTENT PROVIDERS WITH
DE-CENTRALIZATION OF CONTENT DISTRIBUTION

- Approximately 60% of WeChat users are willing to pay for content
- 1.8% of WeChat OAs have more than 1M followers
- The biggest challenge for content providers is a slowing down of readership expansion

READERSHIP: 76.1% OF WECHAT OAs HAVE <10K FOLLOWERS

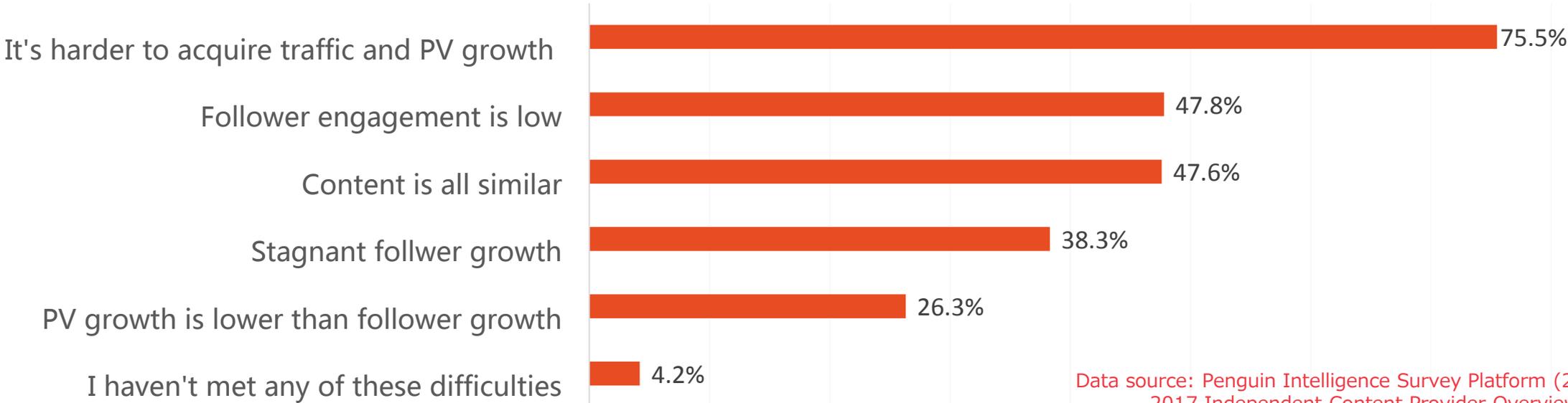


Data source: WeChat Social Economic Impact Report
China Academy of Information and Communications Technology

In comparison with 2015, the proportion of WeChat OA operators with followers below 10K shows a great increase, while the group of accounts with more than 1M followers also increases from 1.1% to 1.8%. 2016 was a significant year for the content business but as the competition becomes more intense, the distribution of WeChat OAs' followers is now leaning towards a long-tail model.

STAGNANT GROWTH OF PAGE VIEWS POSES THE BIGGEST CHALLENGE

What obstacles do content providers face in their daily operations?

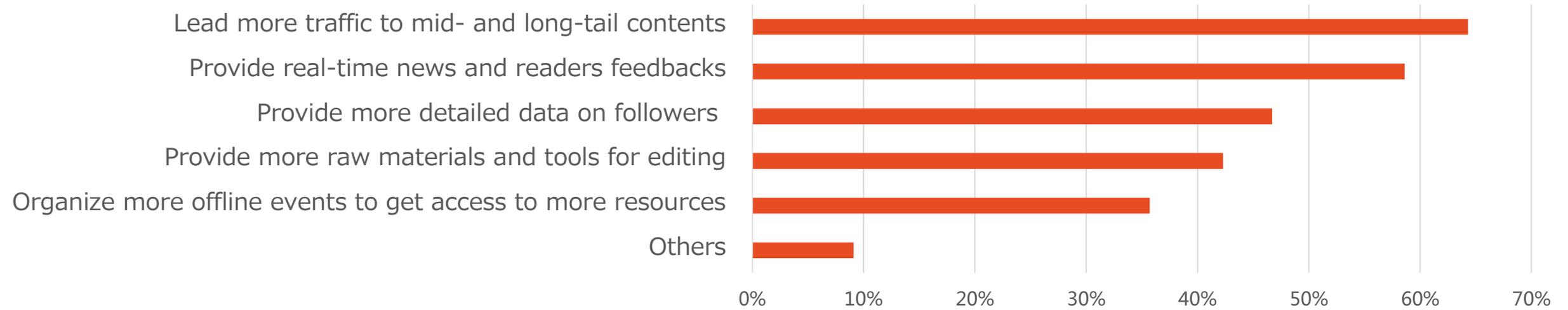


Data source: Penguin Intelligence Survey Platform (2016.11)
2017 Independent Content Provider Overview Report
This is a multiple response question.

75.5% WeChat Official Account operators think now the biggest challenge for them is to acquire traffic and to boost the stagnant growth of page views of their articles. According to *The WeChat Social and Economic Report*, there had been more than 10 million Official Accounts by the end of 2015. With the drastic increasing of official accounts and the homogenization of content provided by different accounts, operators will find it even harder to gain new users and boost user engagement.

60% OF CONTENT PROVIDERS SEEK MORE TRAFFIC TO LONG TAIL CONTENT BY THE PLATFORM

What do content providers want from the platform?

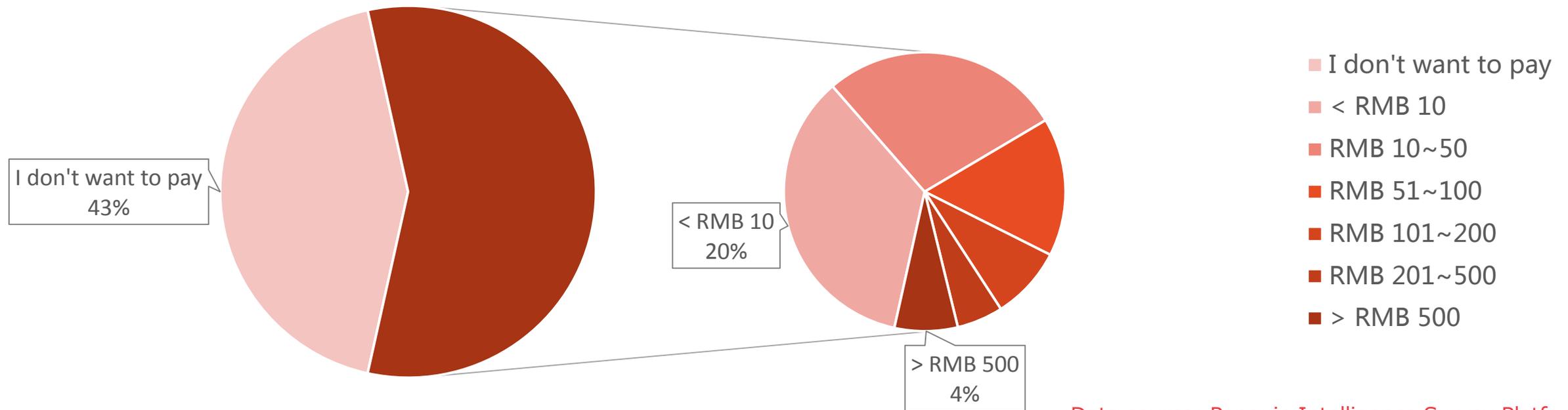


Data source: Penguin Intelligence Survey Platform (2016.11)
2017 Independent Content Provider Overview Report
This is a multiple response question.

For content providers, the core appeal for them is how to effectively lead more traffic to the mid- and long-tail contents, and get more tools to help optimize the content. WeChat, as a decentralized social and content platform, began to try and guide traffic to quality content through functions including “top articles on Moments” under the search box and “original articles that your WeChat friends have read”, etc. But in a whole, it still takes a very neutral attitude on traffic distribution.

PAYIING FOR CONTENTS: ABOUT 60% OF USERS ARE WILLING TO PAY FOR CONTENTS BUT NOT A LARGE SUM

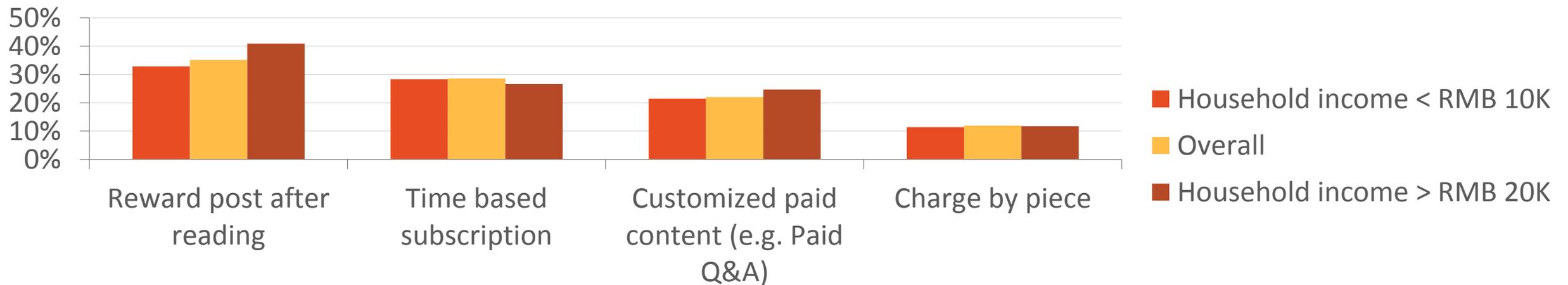
How much are you willing to pay for valuable content and information on WeChat each month?



Data source: Penguin Intelligence Survey Platform

USERS ARE MORE WILLING TO PAY THROUGH REWARDS AFTER READING

How would you like to pay for content on WeChat?
(Users who are willing to pay only)

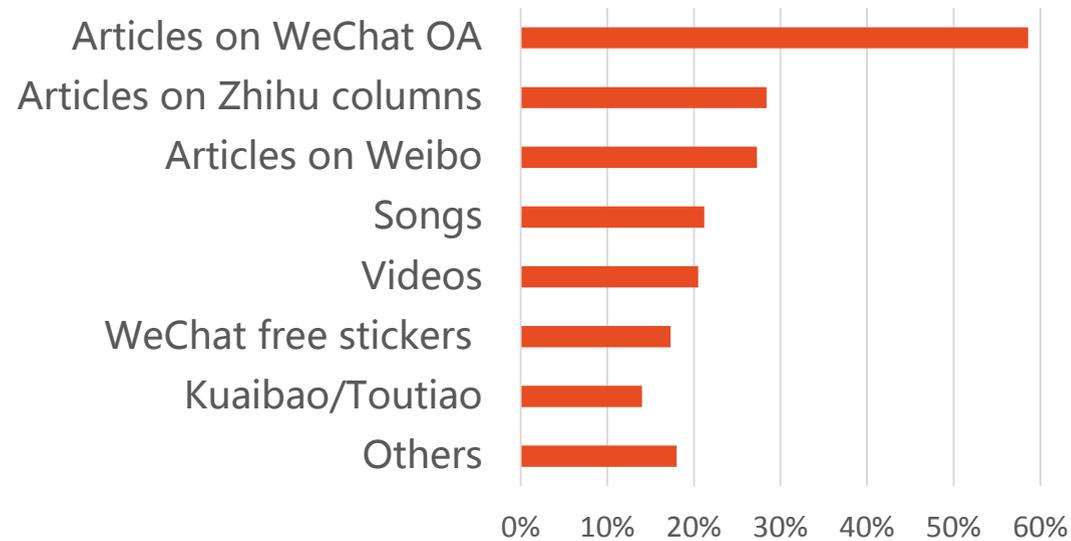


Data source: Penguin Intelligence Survey Platform
This is a multiple response question.

Compared with paying by piece or through a time based subscription model, interviewees prefer the current content payment method of giving authors rewards after reading. Users with a household income above RMB 20,000 are especially in favor of this method, showing a higher emphasis on the quality of the content. However, due to the change of Apple's policy, iOS users now can't reward authors directly via WeChat but have to use methods like money transfer via QR codes.

USERS PREFER TIPPING FOR CONTENT ON WECHAT OA THAN ON OTHER PLATFORMS

What kind of content have you paid for or tipped?



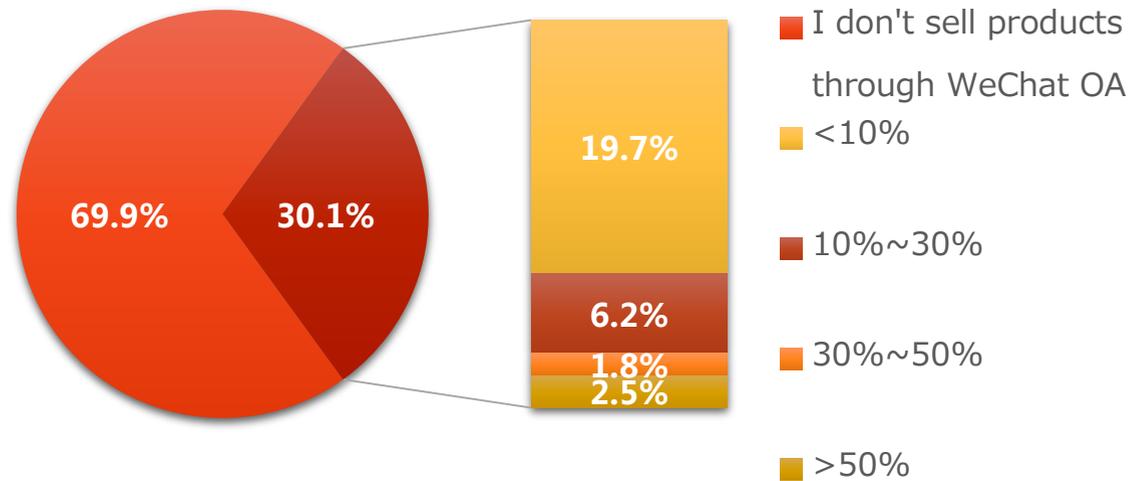
Data source: Penguin Intelligence Survey Platform (2016.12)
2017 Independent Content Provider Overview Report

WeChat Official Accounts at the same time are a popular platform that promotes tipping for articles as a mainstream method of paying for content. According to a 2017 Content Provider report released previously by Penguin Intelligence, 58.6% of respondents have tipped for articles published on the WeChat OA platform before, more than double the penetration rates of this paying method on other platforms including Zhihu and Weibo.

It's worth noticing that over 20% surveyed users have experiences of tipping original music and videos, showing an increasingly positive environment for content business in China.

30% OF OFFICIAL ACCOUNT OPERATORS HAVE ATTEMPTED A WECHAT OA ECOMMERCE MODEL

How much of your total revenue comes from your WeChat OA?



Data source: WeChat Social Economic Impact Report
China Academy of Information and Communications Technology

WeChat Official Accounts serve as a major channel for many organizations to conduct user operations. But the majority of them do not sell products directly through their official accounts. In addition only 15% of consumers said they have purchased a product through an official account. Thus the e-commerce model based on WeChat's Official Account platform is not a mainstream monetizing method for OA operators.

Nevertheless, it's worth noting that 10.4% of OA operators report they generate over 10% of their sales revenue through WeChat Official accounts, of which 1.3% corporate OA operators report over 80% of their total sales revenue is from their official accounts.

The WeChat Revelation

FIVE OPPORTUNITIES AND CHALLENGES FOR THE WECHAT ECOSYSTEM

- Change in the WeChat network: Precise targeting & the possibilities of super network
- Change in the WeChat use case: business model integration & independent professional networking

CHANGE IN THE WECHAT NETWORK: PRECISE TARGETING & THE POSSIBILITIES OF THE SUPER NETWORK

Precise consumer targeting via weak ties

Opportunity

As users' WeChat user networks expand from close contacts to casual acquaintances, and further into work-related circles, the excess of information will urge users to have a stronger need for precise and direct distribution. Under these circumstances, customized marketing based on algorithms, and directional content distribution management will be more meaningful and valuable.

Buried in the super network

Challenges

From 2016, the number of contacts for the majority of WeChat users now exceeds the 150, Dunbar number. The effectiveness, efficiency and self-cleaning capacity of the platform will play a vital role, and will also have a more profound influence over the engagement between networks. If one cannot provide subjects with intimate or useful information, then it will surely be buried in flood of information within the super network.

CHANGE IN WECHAT USE CASES: CONVERGENCE OF MODULES & INDEPENDENT PROFESSIONAL NETWORKING

Capacity to offer services via WeChat

Opportunity

90% of WeChat users have dealt with work-related issues on WeChat. 70.8% of individual proprietors have used WeChat for transactions. WeChat's penetration across work communications exceeds phone calls, text messages, emails... WeChat is now building a convergent work and business platform based on point-to-point communication, group communication, social circles, content & service platforms. Along with the high penetration of WeChat's social network, it'll be a standard tool for all agile organizations.

Doubts over professional SNS

Challenges

On the other hand, we see doubts over the existence of independent professional SNS in China against the prosperity of the WeChat ecosystem. Though most users are cautious of information redundancy, an overwhelmingly high integration of work and life is de facto in China's 1st & 2nd tier cities. Thus, the blurring line between work and life in China poses an inevitable question to the existence of professional SNS in China.

CHANGE IN WECHAT PAY: THE POPULARITY OF SMALL-AMOUNT TRANSACTIONS VS THE INADEQUENCE OF LARGE SUM CONSUMPTION

WeChat Payment boosts in offline retails

Opportunity

In this survey, consumers' usage of WeChat Pay in small merchants like convenience stores tops all use cases, which also implies the significance of offline expansion to the growth of WeChat Pay. As WeChat Pay expands among small and mid-size merchants such as convenience stores and supermarkets, the entire WeChat ecosystem, including third-party services providers and vendors, will all benefit from this, and bring more interests to the real economy of the country.

Potential for larger consumption amounts

Challenges

The range of users' average monthly expenditures have seen growth in 2016 mostly fall in the 200-3000 RMB range. Though there's also an increase for the range above 5,000 RMB, overall, we still see a great space for growth in the 3,000 RMB and above range. Challenges primarily come from two fields: first the limits for large amount payments haven't been fully lifted, which may reinforce users' image of mobile payments being for small amount consumption; second, quite a number of fields for the exploration of large amount consumption are still untapped. Growth potential still exists in these arenas.

CHANGE IN WECHAT BUSINESS: BENEFITS FOR OFFLINE SERVICE & BREAKTHROUGHS AWAITED

Extensions of offline services

Opportunity

According to the results of our surveys, Mini Programs and WeChat's membership and voucher system each have earned acknowledgement and adoption from users. For Mini Programs, there will be more opportunities based on users' high frequency needs with a focus on service. For memberships and voucher systems connecting to WeChat, offline retail and dining chains with high density may have a better performance with proper operation and implementation.

A higher investment in marketing needed

Challenges

Take the Mini Program as an example. Though it has an increasing penetration among users, how to better connect services and consumption, and also deliver its real user cases to users is still a question yet to be answered. For the membership and voucher system, it's also the case. How to better serve users after the original membership and voucher system have been established and generate more use case scenarios will be the challenges of the next stage.

CHANGE IN WECHAT CONTENT: A MATURING PAYING ENVIRONMENT & MONETIZATION OF THE LONG TAIL

The paid content system has matured

Opportunity

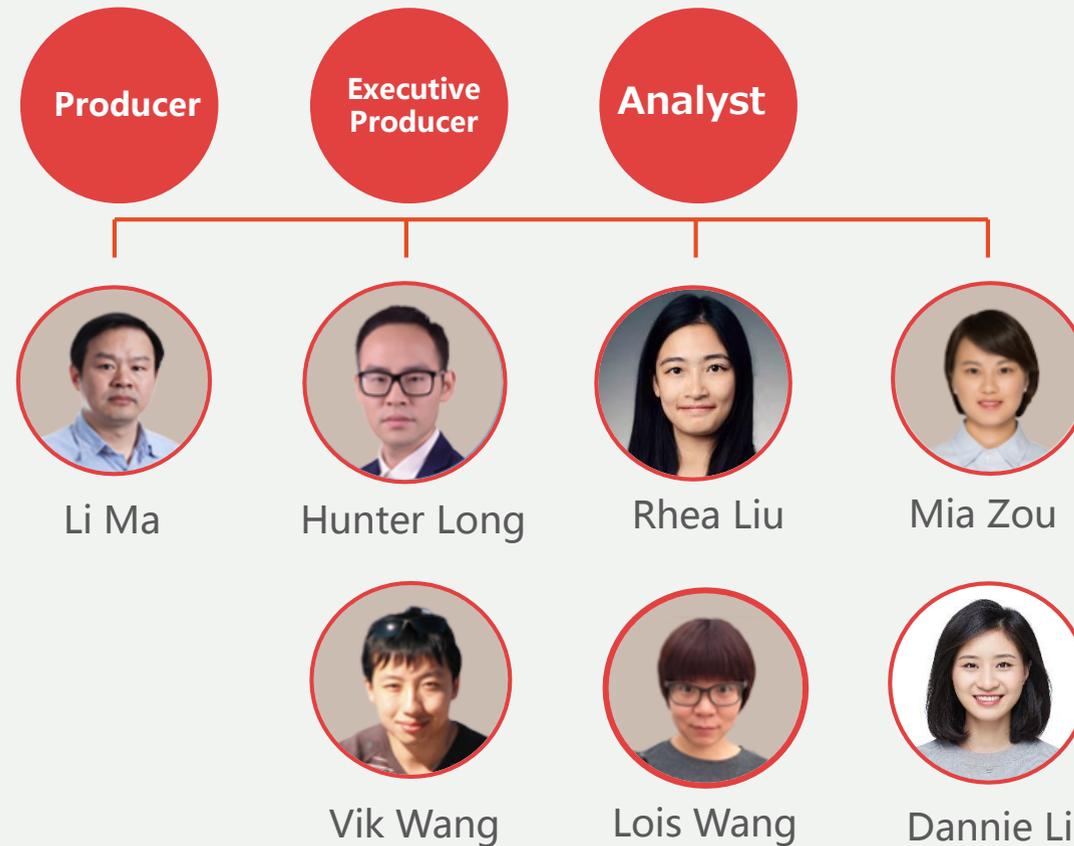
About 60% of WeChat users are willing to pay for content. Currently, the content reward system of WeChat has been far more accepted compared with other competitors. For the vast WeChat content ecosystem, the payment solutions and paying system have matured. This will accelerate the development of content businesses built upon WeChat and deliver more positive feedback to high quality content creators.

Few opportunities left for players not already at the top

Challenges

For content providers, the biggest challenge on a mature platform is how to survive in the long tail and break through the competitive advantage of the top players. The decentralized design of WeChat used to be a solution with social distribution. However, as users aggregate to top content providers, the traffic distribution on WeChat is now leaning to a long tail model as well. So how to build upon the established decentralization model but also grant more chances to long tail content providers. Small but quality content providers with precise traffic will be a necessary evolution that the platform needs to evaluate.

China Tech Insights Team



Data Source

- Penguin Intelligence Consumer Survey Platform
- CAICT
- QuestMobile



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