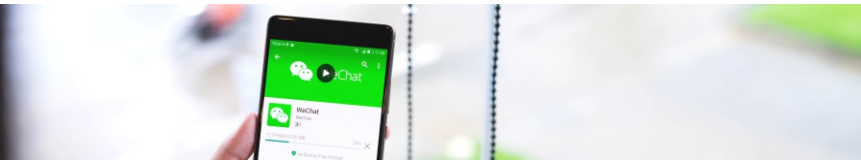




The WeChat **MINI-PROGRAM**

Playbook for E-Commerce

An Overview of WeChat Commerce
and How Top Players in Luxury,
Beauty, and Fashion are Leading the
Way



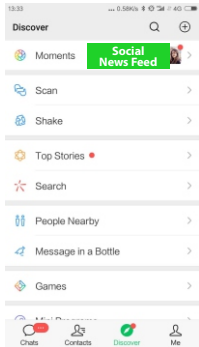
azoya consulting

APRIL 2019

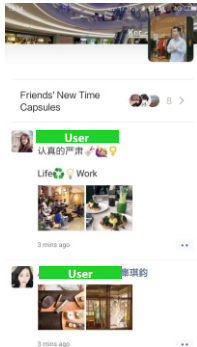
Before We Get Started, Here's a Quick Introduction to WeChat

WeChat is China's top messaging app with >1 billion users worldwide

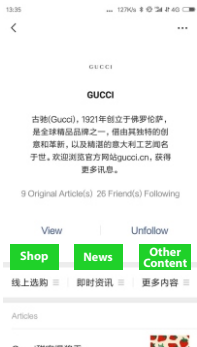
WeChat Interface



WeChat Moments



Official Account



Mini-Programs



Users use WeChat for its multiple functions, such as messaging friends and sharing experiences with each other on WeChat Moments

Brands use WeChat Official Accounts to publish content and notify followers of new promotions

Brands are now using mini-programs to engage and sell to customers

TABLE OF CONTENTS



- I** **An Introduction to Mini-Programs and WeChat Commerce**
..... P04
- II** **Why Brands are Using WeChat Mini-Programs**
..... P13
- III** **Advanced WeChat Commerce Case Studies**
..... P21

PART I

An Introduction to WeChat
Mini-Programs and WeChat
Commerce



What are WeChat Mini-Programs?

Mini-programs are mini-apps that can be developed and accessed within WeChat

Movie Ticket Booking



Cat's Eye

Food Delivery



Didi Chuxing

Car Hailing



Meituan Delivery

INTRODUCTION

- WeChat is a popular platform for social commerce, with >1 billion users
- First rolled out in January 2017, most mini-programs can be created by app developers within a matter of weeks
- They can be accessed without users having to install or download them
- Each page consists of two megabytes, and mini-programs can be shared easily within WeChat
- Users are using them for booking movie tickets, ordering food delivery, hailing taxis, and many more functions

Sources: Cat's Eye, Didi Chuxing, Meituan Delivery Official WeChat Mini-Programs

“ Mini-programs have become the centerpiece of the WeChat ecosystem. It's all about making life more convenient and efficient.
- Ashley Dudarenok, Entrepreneur, Speaker, Author

Types of WeChat Mini-Programs

E-commerce mini-programs account for the largest percentage of mini-programs on the market

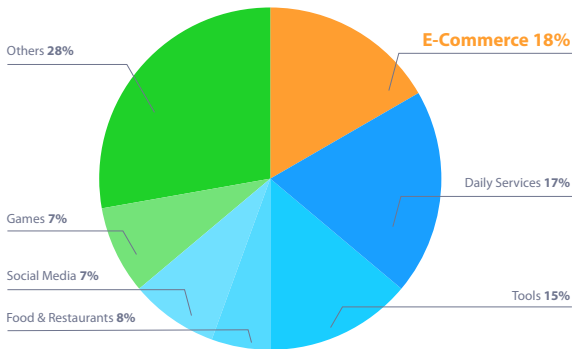
MINI-PROGRAM STATS

- 2.3 million mini-programs online
- 230 million daily active users (DAUs) on mini-programs
- Average user opens mini-programs four times a day

E-COMMERCE MINI-PROGRAM STATS

- 18% of mini-programs are dedicated to e-commerce
- 5.6 billion RMB (\$830 million) in funding has been raised for e-commerce mini-programs

MINI-PROGRAMS BY TYPE (2018)

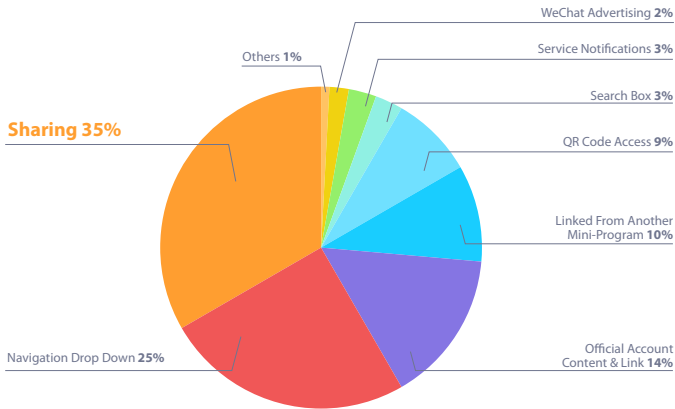


How Users Access Mini-Programs

Most users access mini-programs through a drop-down menu, a link on the brand's official account, and links shared by other users. There are 60+ ways to access a mini-program

E-COMMERCE MINI-PROGRAM ACCESS POINTS (2018)

Source: ALDZS.com



Platforms and brands will have to find a way to incentivize sharing that doesn't make it feel too 'spammy'
- Michael Norris, Strategy & Insights Manager at Agency China

How Users Access Mini-Programs

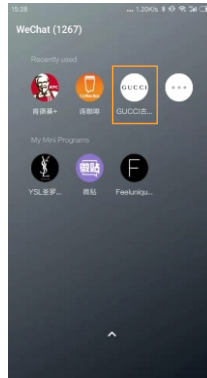
Most users access mini-programs through a drop-down menu, a link on the brand's official account, and links shared by other users. There are 60+ ways to access a mini-program

THREE MAIN WAYS TO ACCESS A MINI-PROGRAM

Sharing



Navigation Drop Down Menu



Official Account Link

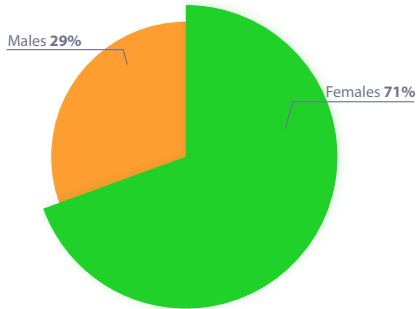


Gucci Links to Multiple Clothing Lines

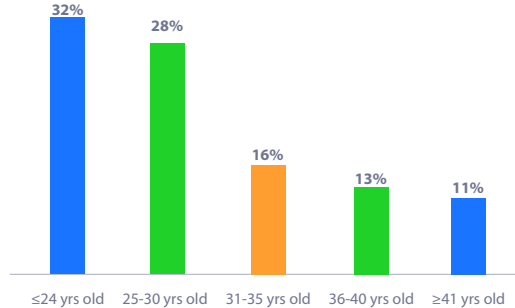
E-Commerce Mini-Program Users at a Glance

Customers on WeChat e-commerce mini-programs tend to be young and female

E-COMMERCE MINI-PROGRAM USERS BY GENDER (2018)



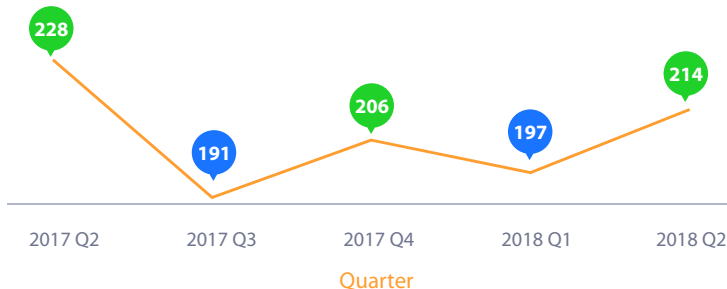
E-COMMERCE MINI-PROGRAM USERS BY AGE (2018)



E-Commerce Mini-Program Users at a Glance

E-commerce mini-program users spend an average of ~200 RMB (~US\$30) per transaction

**E-COMMERCE MINI-PROGRAM
USER SPENDING (RMB)**

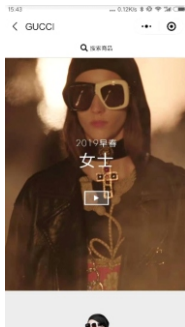


Anatomy of a WeChat Mini-Program E-Commerce Store

Gucci's flagship mini-program store highlights different clothing lines and has full e-commerce functionality



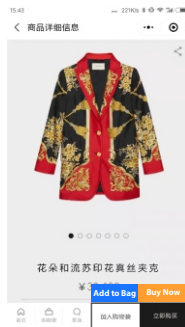
Front Page



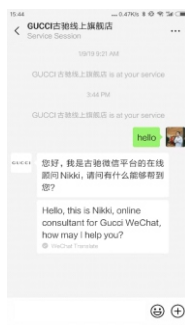
Women's 2019 Spring Line



Product Listings



Product Page



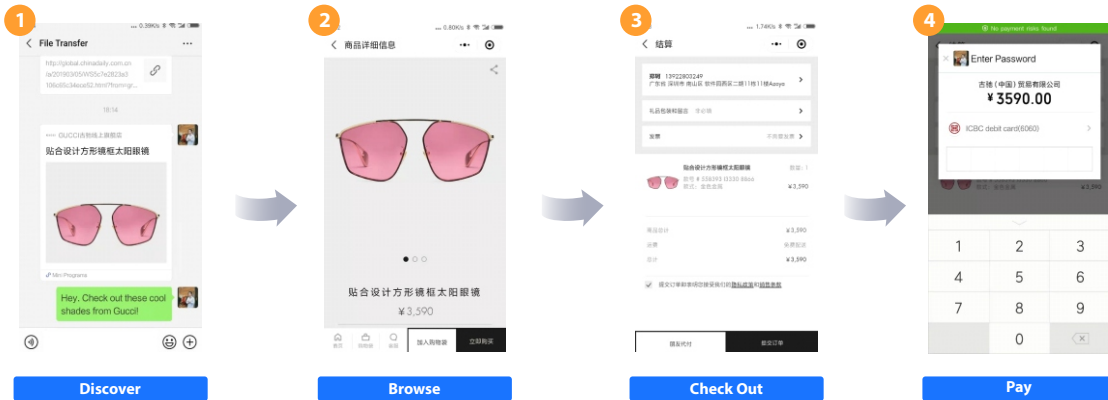
Customer Service

Source: Gucci Official WeChat Mini-Program Store

“ There's no better way to integrate online & offline retail, as well as many facets of digital China life, than through mini-programs.
- Ashley Dudarenok, Entrepreneur, Speaker, Author

Customers can Complete Closed-Loop Transactions in WeChat

Gucci's store lets customers discover, browse, and pay for items all without leaving WeChat



Source: Gucci Official WeChat Mini-Program Store

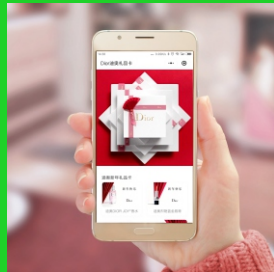
“ WeChat mini-programs have tremendous potential in China. We recently leveraged WeChat mini-programs to provide real time ordering and online payment functionality for health supplements brand Antismog, helping the brand enter China. - Lu Jin, Senior Sales Manager at Westwin China

PART II

Why Brands are Using Mini-Programs

“ In a market where consumers expect highly personalized, highly engaging experiences, mini programs offer brands the opportunity to innovate and experiment quickly, which is key to staying relevant.

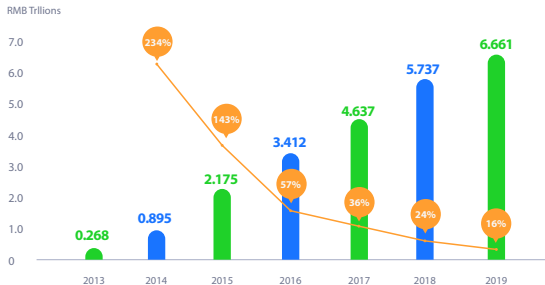
Olivia Plotnick, China Marketing Specialist at Ogilvy



China E-Commerce Growth is Slowing

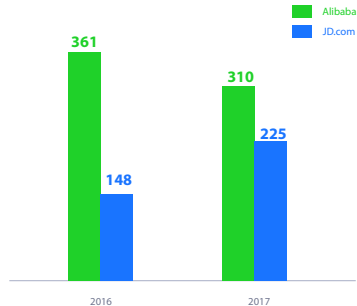
As China e-commerce growth slows, customer acquisition costs are going up. Many retail players aren't making money on Tmall and JD.com and are looking for alternative sales channels

CHINA ONLINE RETAIL MOBILE TRANSACTIONS AND YOY GROWTH



Source: iiMedia Research

AVERAGE CUSTOMER ACQUISITION COSTS (RMB)



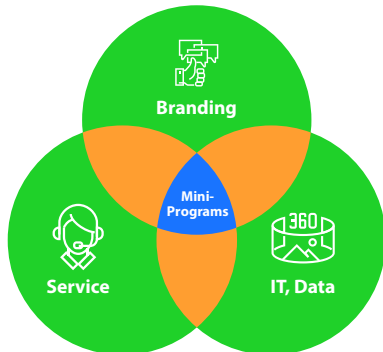
Source: Agency China, China Merchants Securities, Company Filings

Mini-Programs Give Brands an Alternative Sales Channel to Reach Online Consumers



Mini-Programs Give Brands Expanded Functions to Engage Customers

Compared to WeChat official accounts (brand pages) and mobile HTML stores, mini-programs have more advanced functions



Brands Can....



- Design own e-commerce store with banners, videos, etc.



- Use WeChat as a customer relationship management system
- Set up loyalty programs using users' WeChat accounts
- Offer customer service within WeChat



- Develop mini-program stores quickly on top of WeChat's infrastructure
- Access and analyze customer data



In many cases, mini-programs are fully functional e-commerce sites. They offer the same degree of information, content, and payment options that can be found on traditional e-commerce platforms.

– **Michael Norris, Strategy & Insights Manager at Agency China**

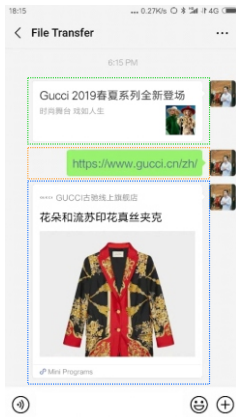
Mini-Programs are More Visual and Sharable

Compared to WeChat official accounts (brand pages) and mobile HTML stores, e-commerce mini-programs are more visual. 34% of users access them because they're shared by friends

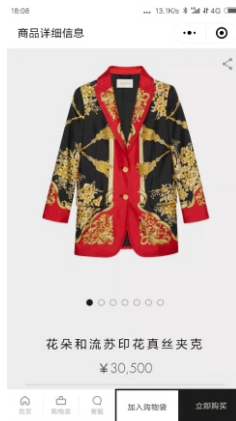
Sharing Gucci Official Account Content

Sharing Gucci Official Store Link

Sharing Gucci Mini-Program Product



Mini-Program Directs User Straight to Product Page



Social Commerce on WeChat Facilitates User Acquisition

Brands can potentially go viral with lower acquisition costs

Social Commerce: A Definition

- Social commerce is when brands incentivize customers to market products and build brand awareness
- WeChat's social network, sharable mini-programs, and built-in WeChat Pay features make it ideal for social commerce

Example: Pinduoduo

- Mini-program gave customers discounts to invite other customers for group-buying promotions
- Using this method, it grew to 109 million mini-program MAUs within 3 years
- Today, every e-commerce platform is promoting group-buying promotions
- WeChat's social network, sharable mini-programs, and built-in WeChat Pay features make it ideal for social commerce

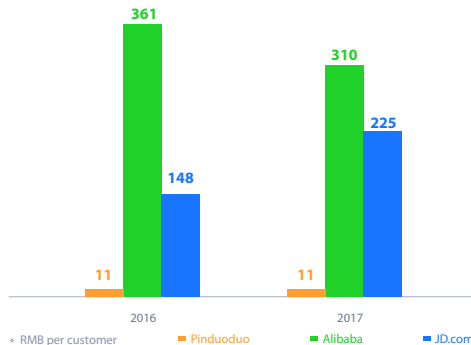


WeChat mini-programs are key to enabling and developing social commerce. Without mini-programs, it is difficult to enable closed-loop social commerce transactions.

- Ivy Shen, VP of International Business at Azoya

SOCIAL COMMERCE LOWERS ACQUISITION COSTS*

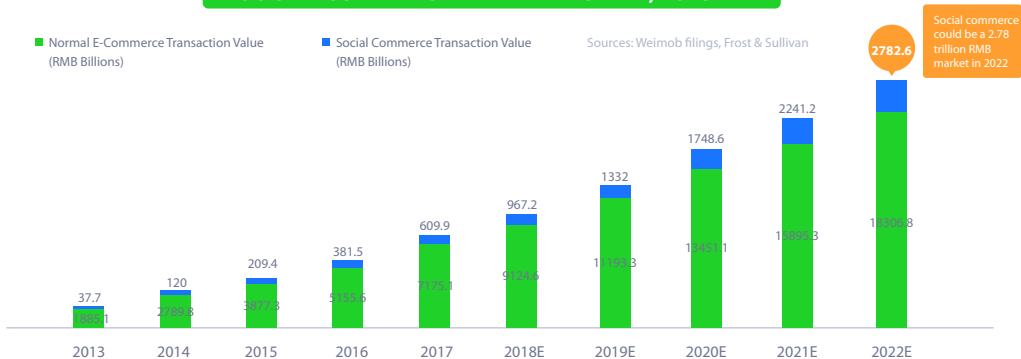
Sources: Agency China, China Merchants Securities, Company Filings, Qwest Mobile



Social Commerce Growth Will Outpace Normal E-Commerce

Social commerce will grow at 35.5% CAGR through 2022, compared to 18.8% for normal e-commerce

SOCIAL COMMERCE MARKET IN CHINA, 2013-22



We're seeing all kinds of new social ecommerce models spring up in China, models made possible by mini programs and the opening up of WeChat traffic
Matthew Brennan, Managing Director of Chat Channel

A SUMMARY OF WECHAT E-COMMERCE MINI-PROGRAMS

Definition	Mini-programs are mini-apps built within the WeChat ecosystem	
Benefits for Consumers	Mini-programs are convenient to use	<ul style="list-style-type: none">• Each page consists of 2 MB and loads quickly• They can be accessed through 60+ different ways within WeChat• They can be shared with friends with just a few taps• Transactions can be completed seamlessly with WeChat Pay
Benefits for Brands	Mini-programs' expanded functions enable brands to better engage customers	<ul style="list-style-type: none">• Brands can design their own store with visual banners, videos, mini-games, etc.• Brands can use WeChat and users' WeChat accounts as a customer management system• Brands can set up loyalty systems• Brands can offer customer service• Brands can develop mini-programs within weeks, at a fraction of the cost of a mobile app or website• Brands have full access to their customer data, which they can analyze for future use
Why Mini-Programs Went Viral	Mini-programs are convenient, accessible, and appealing for lower-frequency services such as e-commerce where users don't want to download a separate app	
An Alternative for China E-Commerce	Mini-programs provide brands with more control over their e-commerce store design and data, and give them the power to drive traffic through WeChat and its social network	

PART III

Advanced WeChat Commerce Case Studies

“ For British brands entering China for the first time, mini-programs allow the opportunity to test the market without large upfront costs; for those who are already in China, mini-programs provide an additional avenue to reach and engage new customers

Ben Goodwin, Head of Consumer Retail, China at UK Department for International Trade



Creative Types of E-Commerce Mini-Programs

Brands are creating interactive, visual mini-programs to better engage customers and encourage them to share with friends



User Generated Content

Brands can incentivize customers to create content, increasing conversions and engagement



Social Gifting

Customers can purchase virtual gift cards or gifts and share them with friends on WeChat



Personalization

Customers can customize their own products, adding their own personal touch and sharing with friends



Key Opinion Leader Selling

Influencers/KOLs have their own mini-program stores to promote brands and co-branded products



Online-Offline Activation

Brands can use mini-programs to convert offline traffic to online or provide offline services for online customers



Group-Buying Campaigns

Customers can pull in friends/family to purchase goods in bulk in exchange for a discount



Content Acceleration

Mini-programs are designed to convert traffic from official accounts directly into e-commerce sales



Customer Service

Mini-programs can provide smart customer service with a more visual and attractive interface

USER GENERATED CONTENT

Brands are Using WeChat to Generate a
Community of Loyal Fans and Content

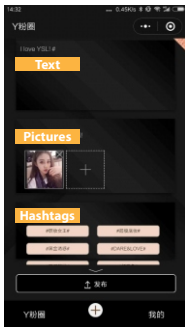
Showcase Brand



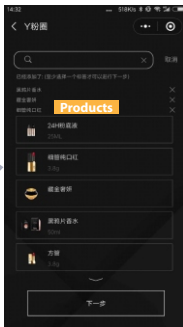
YSL Members Club – Content Creator Journey

This interactive mini-program incentivizes users to post content and tag products, similar to Little Red Book and Pinterest

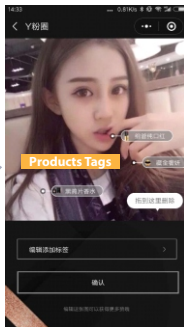
1 Write Content, Add Pics



2 Tag Products



3 Confirm



CONDITIONS

- Content creators earn rewards points that can be redeemed for discounts
 - +5 points for tagging YSL on social media
 - +100 points for posting content on products
 - +200 points if other users make a purchase by clicking on your tags
- Scoreboard ranks content posts with most "likes", encouraging people to share with friends
- Each member can tag makeup items that redirect users to e-commerce store

YSL Members Club – Customer Journey

Content & Pinterest-like tags encourage users to make purchases and share their experiences



YSL Members Club - Analysis

Beauty & Cosmetics



E-commerce is increasingly driven by content, because content helps build trust with and educate customers

Mini-program provides two-function store in which customers can create content and make purchases

Brand Pain Points

Hard to get users to post content & reviews

Hard to gain customer trust without content

Hard for content to directly drive sales



Mini-Program Solutions

Contest incentivizes users to create content

KOLs also promote their own content to drive buzz

Content drives traffic, creates community of engaged customers

Product tags help YSL monetize and drive sales

SOCIAL GIFTING

WeChat's Social Sharing Features
Enhance the Chinese Tradition of Gift-Giving

Showcase Brand

Dior

Dior Gift Cards

Beauty & Cosmetics



CORE FUNCTIONS

- Virtual gift card mini-app equipped with WeChat Pay
- Users can purchase virtual gift cards for friends, who can redeem them for different products
- Gift cards and underlying products can be customized for different themes, holidays
- Gift cards can be easily shared on WeChat

Dior Gift Cards – Customer Journey

Beauty & Cosmetics

1 Click on WeChat Moments Ad



WeChat Moments

2 Load Mini-Program, Pick Gift Card



Front Page

3 Purchase Gift Card



Product Purchase Page

4 Share with Friends



Chat Window

Dior Gift Cards - Analysis

Beauty & Cosmetics



Gift-giving is a major tradition for different holidays and occasions in China, but giving physical gifts is a hassle

WeChat allows customer to buy, send, and share gift cards in one end-to-end process

Brand Pain Points

Offline gifts have to be picked out, wrapped

Gift cards easy to lose, need to redeem in person

Hard to track consumption data

Online gift cards require clunky e-mail registration + long codes

Difficult to target right customers



Mini-Program Solutions

Everything can be done online

Recipient can share on WeChat Moments to show off

Merchants can designate certain products for deals

Mini-programs more visible, load quicker, and users can log in with WeChat accounts

Moments ads can use Tencent data to target right customers and direct users to purchases

PERSONALIZATION

Brands are Using WeChat to Give Every Customer a Personalized Shopping Experience

“

Used wisely, mini-programs can be the one-stop shop to the latest editorial campaign coverage, real-time customer service, speedy checkout, live streaming a runway show, and so much more—all at the fingertips with one click away.

—
Ruonan Zheng, Content Manager at Jing Daily

Showcase Brands

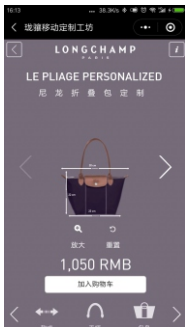
LONGCHAMP
PARIS



YVES SAINT LAURENT

Longchamp

Luxury Goods

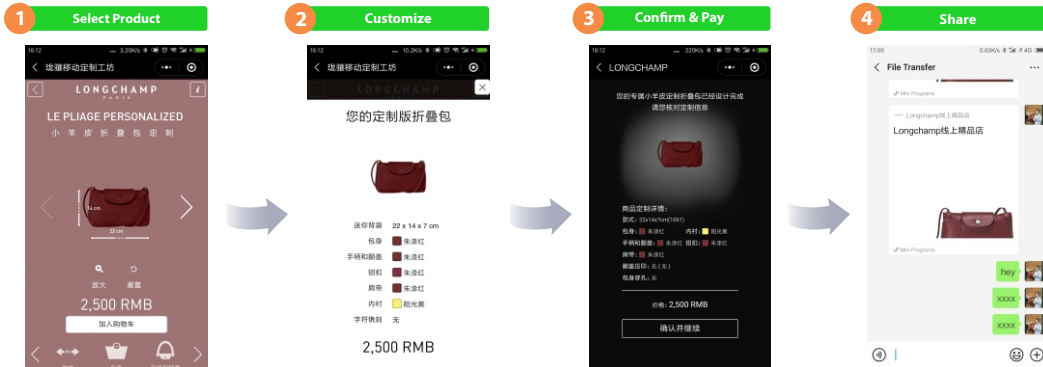


CORE FUNCTIONS

- Longchamp's mini-program allows customers to customize their handbags
- Customers can change the color of the exterior and interior, as well as add decorative symbols
- Designs can be shared with friends on WeChat
- Designs can be purchased with WeChat Pay

Longchamp – Customer Journey

Luxury Goods



YSL BEAUTY

Beauty & Cosmetics



CORE FUNCTIONS

- YSL's mini-program sends a personalized Valentine's Day gift set to loved ones
- Customers can personalize gift sets and choose from different price points
- Gift sets can be shared with friends on WeChat
- Customers can complete closed-loop transactions with WeChat Pay

YSL Beauty – Customer Journey

Beauty & Cosmetics

1 Click on WeChat Moments Ad



2 Read Instructions



3 Select Gift Set



4 Confirm & Pay



Longchamp, YSL Beauty - Analysis

Luxury Goods



Personalization mini-programs engage customers by letting them customize and gift their own luxury products

YSL RESULTS

- The click rate of this WeChat ad was 280% higher than the industry average
- User comment rate 8x industry average
- Two most expensive gift sets sold out within half a day

Brand Pain Points

Luxury brands often struggle to replicate luxury experience online

No shop attendants to provide VIP service

E-commerce often associated with discounting & fakes

Hard to measure ROI of WeChat Moments ads



Mini-Program Solutions

Personalizing ads and offering personalization services makes customers feel special

Personalized products can be shared on WeChat to show off to friends/family

Official mini-program store perceived as more authentic

Linking Moments ads to mini-program helps convert customers

ONLINE-OFFLINE ACTIVATION

WeChat's Enhanced Mini-Program Functions
Bridge the Gap Between Online and Offline

Showcase Brand



DFS Group Hong Kong

Travel Retail



CORE FUNCTIONS

- DFS's mini-program is designed to facilitate online activation of travel retail customers
- Chinese tourists visiting Hong Kong can order their products online, and pick them up in offline DFS stores at the airport or downtown
- In Hong Kong, you can choose from three stores to pick them up from

Source: DFS Official WeChat Mini-Program Store



I am also very optimistic about the “online-offline activation” type of mini-program. Mps don't need to be downloaded, which helps offline buyers access products and services online more easily.

- **Quinten Kemp, Managing Director at Nextport China**

DFS Group Hong Kong – Customer Journey

Travel Retail

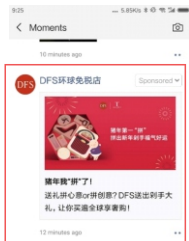
1 Click on WeChat Moments Ad

2 Select & Order Product

3 Choose Location for Pick-Up

4 Confirm Details, Pay

5 Pick Up Offline



WeChat Moments Feed



Product Purchase Page



Confirmation Page



Confirmation Page



DFS-owned T Galleria Store in Hong Kong

DFS Group Hong Kong - Analysis

Travel Retail



WeChat turns fragmented, rushed travel retail shopping into a seamless omnichannel experience with online shopping, payments, and loyalty programs

Brand Pain Points

Hard to educate customers within limited time frame

Travel retail stores crowded with long lines and limited inventory

Currency exchange a hassle

Difficult to maintain membership/loyalty system for traveling tourists



Mini-Program Solutions

WeChat ads recommend products before customers arrive

Customers browse inventory online, pick-up offline

Online RMB transactions converted to local currencies and remitted to merchant

Integrated offline/online membership system with user WeChat accounts

KOL SELLING

Mini-Programs Help Influencers Convert Content into Sales

“

We predict that KOL selling and promotion of brands' mini-programs will continue to gain adoption and will be one of the most attractive options, especially for cross-border e-commerce.

—
Kim Leitzes, CEO & Founder of PARKLU

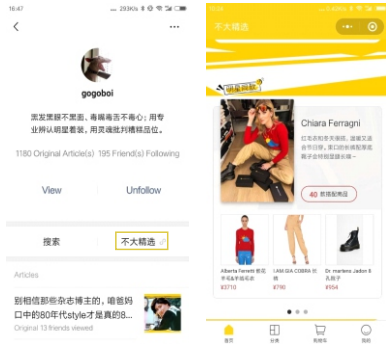
Showcase KOL



gogoboi

Gogoboi

KOL Selling



CORE FUNCTIONS

- Gogoboi is a popular KOL with many fans following his WeChat official account
- Content drives traffic to a mini-program, which gives recommendations based on different styles, seasons, type of clothing, etc.
- Each post is tagged with items that direct users to different WeChat shops

Gogoboi – Customer Journey

Content and product tags link directly to e-commerce items, with WeChat Pay enabling a closed loop transaction

1 Click on Official Account Link



Official Account

2 Click on Promotion



Front Page

3 Click on Product Tags



Content Post

4 Research Product



Product Page

5 Confirm, Pay



Check-Out Page

Gogoboi – Analysis

KOL Selling



Mini-programs enable a seamless process that helps KOLs educate customers and sell products in a closed-loop transaction process

Brand Pain Points

Hard to drive traffic to e-commerce shops

Customers overwhelmed by number of product choices on the market

Customers must jump from KOL content to third party site to make purchases



Mini-Program Solutions

KOL uses content, followers to drive traffic and sales

KOL recommendations narrow down choices

Mini-program facilitates jump from content to e-commerce without leaving WeChat



For beauty and consumer lifestyle brands, we have tracked upwards of a 65% correlation between KOL mentions of a brand and its e-commerce sales.

- Kim Leitzes, CEO & Founder of PARKLU

GROUP-BUYING

Mini-Programs' Social Sharing Functions
Decentralize Customer Acquisition and Lower
Marketing Costs

Showcase Brand

FEELUNIQUE

Feelunique

Beauty & Cosmetics



Source: Feelunique WeChat Mini-Program Store

CORE FUNCTIONS

- This six-day campaign encourages customers to pull in friends for a group-buying promotion
- Group-buying prices for a Caudalie set are 552 RMB as opposed to 878 RMB for the full price
- Campaign can be shared with friends on WeChat; goods are shipped after friends buy
- This lowers user acquisition costs and improves customer engagement

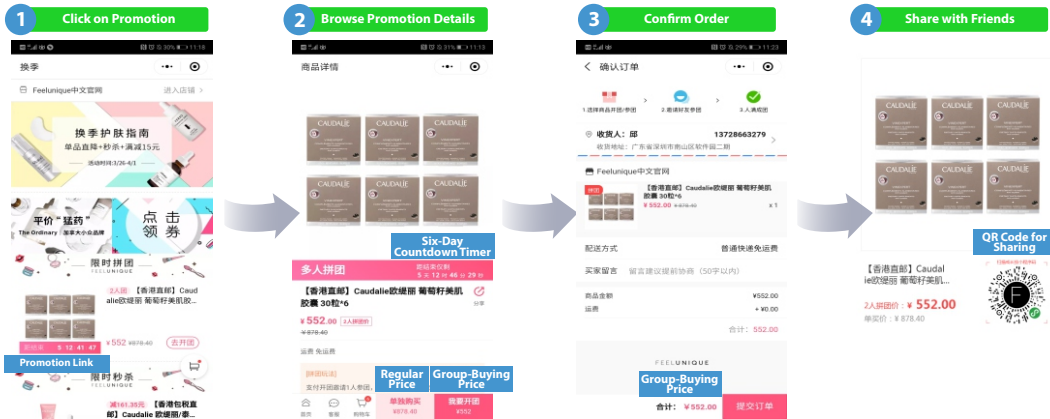


Group buying is the most effective type of mini-program because it exploits the advantages of WeChat's ecosystem - the strong social sharing habits - to scale user growth.

- **Quinten Kemp, Managing Director at Nextport China**

Feelunique - CUSTOMER JOURNEY

Group-buying goods are only shipped after you share item with friends and they decide to buy



Feelunique - Analysis

Beauty & Cosmetics



Customers can complete group-buying transactions in mini-program without leaving WeChat. Group-buying subsidizes customer acquisition so merchants don't have to spend on ads

RESULTS

- Six-day campaign pulled in 38 group-buying pairs
- Over 90% of participants were new customers

Brand Pain Points

Online customer acquisition is expensive

Hard for brands to gain customer trust

Group-buying through e-mail (Groupon) doesn't work, too fragmented



Mini-Program Solutions

Group-buying offers slight discounts for customers who can pull in new customers

Group-buying = buying with friends (social confirmation, trust)

WeChat enables customers to share and pay for products in one closed loop transaction

CONTENT ACCELERATION

Embedded Mini-Program Buy Buttons Help
Monetize Content and Drive Sales

Showcase Brand



Sephora

Beauty & Cosmetics



CORE FUNCTIONS

- Sephora focuses on content to highlight new special edition collections
- Official account content contains multiple links to different mini-program items for purchase
- This directly monetizes official account traffic

Sephora – Customer Journey

Official account content + mini-program store are interlinked in one closed loop transaction

1

Browse Content



Official Account Page

2

Jump to Mini-Program



Mini-Program Front Page

3

Add to Cart



Product Page

4

Pick Size, Color



Product Page

5

Confirm, Pay



Check-Out Page

Sephora - Analysis

Beauty & Cosmetics



Sephora's mini-program enables a closed-loop transaction that takes users directly from content to purchases

Pain Points

Offline stores too crowded, customers don't know what to buy and feel rushed

Hard to integrate offline-online membership system

Hard to convert Official Account content to sales



Solutions

QR codes in physical stores link directly to WeChat official accounts and mini-programs

WeChat mini-program can be linked to user WeChat account

Direct links direct users to purchases, shortening customer journey

CUSTOMER SERVICE

Smart Mini-Program Chatbot Features Enhance
the Customer Experience

Showcase Brand

MAYBELLINE
NEW YORK

MaybellineNOW – Smart Customer Service

Beauty & Cosmetics



CORE FUNCTIONS

- Smart customer service recommends products and handles customer questions
- Interface is easy to use and can be slid up and down
- Customers are quickly directed to a list of recommended products
- Each product is linked to a separate mini-program store in which purchases can be made

MaybellineNOW – Customer Journey

Customer service bot answers questions and links directly to e-commerce product pages

1 Load Mini-Program



Front Page

2 Click on Suggested Questions



Customer Service Interface

3 Pick Recommended Products



Customer Service Interface

4 Confirm, Pay



Separate Mini-Program Store

MaybellineNOW - Analysis

Beauty & Cosmetics



Maybelline's customer service mini-program streamlines inquiry process and improves the customer experience

Brand Pain Points

Customers often have to wait in line for customer service

Customer service centers often deluged with same questions

Customers often don't know what to buy



Mini-Program Solutions

Auto-respond feature provides quick solution

AI-powered customer service can use data to identify commonly used questions

AI-powered bots use past data to recommend suitable items

SUMMARY



New Sales Channel

WeChat mini-programs give brands a new creative channel to engage and sell to Chinese consumers



Social Sharing Features Lower Customer Acquisition Costs

The simple interface and social sharing feature of mini-programs allows customers to share their experiences with friends, lowering customer acquisition costs



Seamless Customer Experience

Customers can play games, send gifts, personalize products and pay with WeChat Pay all without leaving WeChat



One of the key value propositions of mini-programs is lowering the barriers of cost and time to develop new ideas, becoming a vehicle for creativity and experimentation.

- Matthew Brennan, Managing Director of Chat Channel

Thanks!

azoya consulting

Azoya Consulting is a subsidiary of Azoya International, which empowers international retailers with clear and actionable China e-commerce strategy powered by data, research, expertise and business intelligence

Azoya Group is a global e-tailing group that is dedicated to helping international brands and retailers enter the China e-commerce market.

Our **WeChat Mini-Program Store Solution** enables smaller brands to set up and operate their own cross-border WeChat stores.